FINAL REPORT

Revitalization Strategy
for the Fiesta Mall
Super-Regional Retail District

Prepared for:
The City of Mesa

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Submitted by:
The International Economic Development Council
in cooperation with
The International Council of Shopping Centers

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Revitalization Strategy for the Fiesta Mall Super-Regional Retail District

I. Introduction

The International Economic Development Council (IEDC) has been retained by the City of Mesa, Arizona to develop a strategy for reinventing the Fiesta Mall super-regional retail district to sustain a significant retail presence. IEDC has examined ways to reposition the district to compete effectively with current and proposed retail within its primary and secondary trade area.

Having served as the city's retail flagship since its construction in 1979, Fiesta Mall is now under significant competition from the construction of new retail centers nearby, and from changing demographics in the immediate area. As a result, retail sales at Fiesta Mall have dramatically declined, and it is now difficult to attract top-tier stores and today's best retailers into the mall area.

The IEDC - ICSC Team

IEDC joined with the International Council of Shopping Centers (ICSC) to put together an expert panel of retail specialists. On October 23-24, 2003, a six-member technical assistance team visited the City of Mesa. The team of expert panelists included:

- **Arthur Pearlman**, Arthur Pearlman Corporation, Santa Monica, California
- **Lawrence Kilduff**, The Kilduff Company, Mequon, Wisconsin
- **Victor Grgas**, Victor S. Grgas and Associates, Seal Beach, California
- **Richard Ward**, Development Strategies, St. Louis, Missouri

The IEDC staff members on site were **Ed Gilliland**, Vice President and Senior Director, Advisory Services; and **Louise Anderson**, Senior Associate.

For two days, the team met with representatives from the city and the mall, retailers located within and near the mall, developers and neighborhood stakeholders to discuss the current conditions of the area and formulate a strategy for the area's continued viability as a retail center.

Team Objective

The team used information gained in stakeholder meetings, in addition to background information supplied by the City of Mesa, to make preliminary recommendations at the close of the site visit. This report synthesizes these sources of information, provides detail on the panelists' recommendations and incorporates additional research in order to:

- Evaluate key market dynamics,
- Analyze strengths, weaknesses, opportunities and threats,
- Recommend a retail strategy that includes existing and potential sources of funding for implementation, and
- Identify performance measures to assess progress.

II. Area Characteristics and Conditions

Retail Context

The Greater Phoenix-Mesa metropolitan area is comprised of 24 cities and towns with a total population of 3.4 million. The City of Mesa, population 450,000, has approximately 12.1 percent of the greater Phoenix metropolitan area population, and 15.7 percent of the region's retail space.

Mesa has two regional malls, Fiesta Mall and Superstition Springs Center, that serve much of the sub-regional market known as the East Valley (population 1.1 million). Of all cities in the metropolitan area, Mesa is behind only Phoenix in terms of total retail sales ($6.06 billion in 2002).[1]

Retail is typically a nonbasic industry that serves the local population and does not bring income into an area from the outside. At the regional level, this is true of Fiesta Mall. However, for the City of Mesa, Fiesta Mall functions as a basic industry that sells goods and services to markets outside the local area.

Recognizing the importance of retail to Mesa's economy, the City formed a Retail Development Task Force in June, 2002. The group was charged with developing and implementing an aggressive retail recruitment program, and with reviewing and analyzing City services available to the retail industry. The group released a report of findings and recommendations, "Recruiting Retail Investment," in April, 2003.

Mesa's retail development strategy, at its most general, is to recruit retail development that draws in expenditures from outside the community, while also reducing sales tax leakage by local consumers. The report is discussed in more detail below.

Sales Tax Reliance

Sales tax revenues comprise a significant portion of the City of Mesa's budget. Sales and use taxes comprise 27.4 percent of the City's total budget and 41 percent of its general fund revenue.[2] Sales tax revenues have been declining since 1999, compromising the city's ability to provide services. One goal in the Mesa Economic Development Strategy (2002) is to diversify Mesa's revenue base. All stakeholders interviewed by the IEDC team who commented on the City's budget agreed that it relies too heavily on sales tax revenues.

For the past two decades, Mesa drew retail dollars from surrounding communities. Mesa has found, however, that its retail sales tax base is now vulnerable to retail development

[1] Comparison includes Chandler, Glendale, Peoria, Scottsdale, Tempe, Mesa and Phoenix.
[2] "Net Share of Total City Revenue," City of Mesa Office of Economic Development; "Recruiting Retail Investment," report of the City of Mesa Retail Development Task Force.

occurring in adjacent cities. Growth in the East Valley has been so strong that neighboring cities such as Chandler and Gilbert not only support their own major retail centers, but those newer retail centers are "direct competitors to Mesa for the affluent customers sought by retailers."[3] With the opening of Chandler Fashion Center, a high-end mall, in 2002, this was evident in the effect on sales at Fiesta Mall. In addition, demographics are shifting in those cities' favor.

The City of Mesa foresees that expansion of the San Tan Freeway (Loop 202) will increase Fiesta Mall competition by making it easier for Fiesta Mall customers to shop elsewhere.

City of Mesa Sales Tax Revenues, 1997-2003

Year	1997	1998	1999	2000	2001	2002	2003
Sales tax collected ($ millions)	60.9	78.0	104.2	103.9	103.1	100.2	101.4

Source: City of Mesa Tax and Licensing

Though Mesa has the second largest amount of total retail sales in the county, last year sales tax revenue projections were not met. In addition, the food sales tax, which provided $7 million in revenue annually for the city, was repealed several years ago. Mesa is the largest city in the country that does not levy a property tax.

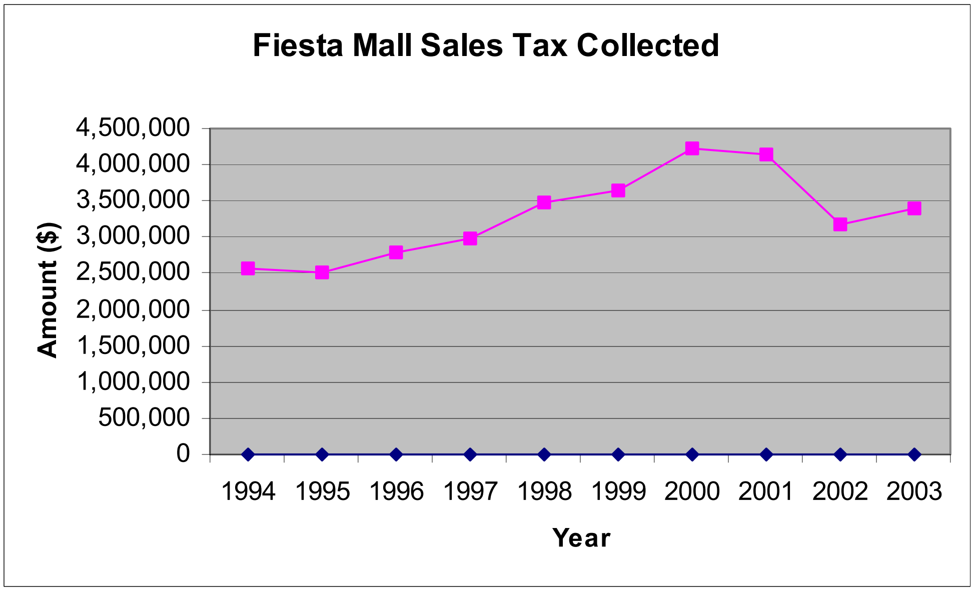
As a result, the City has a selective hiring freeze, tighter departmental budgets and reduced staff. Services such as street sweepings, parks program and library hours have been cut due to lower sales tax revenues.

It is important to note that Fiesta Mall's impact—like most malls—is primarily fiscal, rather than economic. Malls do not typically generate economic activity outside of a metropolitan area. If Fiesta Mall moved to a neighboring town, it would affect the city's revenue more than it would affect the availability of jobs.

[3] "Recruiting Retail Investment," report of the Retail Task Force, p. 11.

Sales Tax Revenues Collected from Fiesta Mall

Sales taxes collected from Fiesta Mall declined in 2001 and 2002 but increased by 7.4 percent from 2002 to 2003.



Source: City of Mesa Tax and Licensing

Employment and Business Climate

City officials are concerned that Mesa is too residential and would like to spur job growth. The city's economic development strategy emphasizes increasing Mesa's job-per-resident ratio of .36 (by comparison, Tempe's ratio is .91). Mesa's general plan analyzes the fiscal impact of land use alternatives and concludes that additional residential development would result in net fiscal losses to the City, whereas new retail, office and industrial land uses would result in a positive net fiscal impact.

> *"Many of those involved in planning for Mesa's future have come to realize that further expansion as a bedroom community is no longer acceptable and threatens our ability to produce sufficient revenue for the essential services that citizens expect."*
>
> *City of Mesa Retail Development Task Force, Recruiting Retail Investment Report*

Of the city's 18 largest employers, four are public entities (city government, the school system, the US Postal Service and Mesa Community College) and six are retailers (Target, Kroger, Wal-Mart, Bashas', Home Depot and Albertson's). The remaining eight include a hospital, a newspaper, manufacturers and service providers. The city lost approximately 1,500 jobs with the recent closing of a 75-acre Motorola plant.

In the Fiesta Mall area, the most significant employers are Banner Desert Medical Center, Mesa Community College and Pearson Digital Learning, all located within a mile of the mall.

Key Employers in Mesa

Employer	Jobs	Employer	Jobs
Mesa Public Schools	10,000	TRW	1,000
Banner Health System	6,700	Bashas'	860
Boeing	4,100	Home Depot	750
City of Mesa	3,700	Target	700
Mesa Community College	2,300	Albertson's	680
Fiesta Mall	2,000	US Postal Service	670
Wal-Mart	1,775	AMPAM Riggs Plumbing	580
AT&T	1,200	Tribune Newspapers	550
The Kroger Co.	1,080	Special Devices	385
Empire Southwest Machinery	1,000	Pearson Digital Learning	316

Source: City of Mesa Office of Economic Development

Retail Tax Rates – Regional Context

The "Recruiting Retail Investment" report states that Mesa's general sales tax rate is on the low end of the range for the 23 cities in Maricopa County.

- Four communities have lower sales tax rates (1 – 1.4 percent), three are equivalent to Mesa's rate of 1.5 percent (composed of a 1 percent sales tax and a .5 percent quality of life tax); and 16 have higher rates (1.6 – 3 percent).

- Within Maricopa County, the total retail tax rate – state, county and local – ranges from 7.3 percent to 9.3 percent. Three communities have established a lower total retail tax rate (7.3 percent to 7.7 percent); three are equivalent to Mesa's rate of 7.8 percent; and 16 communities have higher rates (7.9 percent to 9.3 percent).

The state sales tax rate is 5.6 percent and the county sales tax rate is 0.7 percent. A 0.5 percent quality of life tax was passed in May of 1998 to fund city projects such as the new performing arts center. The tax will be reduced to 0.25 percent on July 1, 2008.

Other Taxes and Utilities

Mesa owns and operates its own electric service (within the one square mile in downtown), and gas and water/sewer utilities throughout the community. Salt River Project (SRP) and SW Gas provide electrical and gas services to the city as well. Rates are close to the median for cities and towns in the greater Phoenix area. Approximately

17 percent of the city's budget comes from utilities; that share is projected to rise to 24 percent in several years.

Mesa is the largest city in the country that does not levy a property tax. All other major communities in the valley levy a city property tax, including the following neighboring cities: Apache Junction, Chandler, Gilbert, Queen Creek, Scottsdale and Tempe.

Population and demographics

Mesa's population has grown steadily in the last 40 years, from 33,772 in 1960 to 396,375 in 2000. Over the last decade, Mesa has grown by 38 percent, compared to the national rate of 13 percent.

Mesa was settled by Mormons and retains a politically conservative climate. Like much of the rest of the southwest, however, recent rapid growth in the city's Hispanic population has changed its demographics significantly. Mesa's Hispanic population is now 20 percent and is projected to grow to 30 percent by 2010 (the City of Phoenix may have a majority Hispanic population by 2010).

Much of the growth in the city's Hispanic population has taken place in West Mesa, in the area around Fiesta Mall. This demographic shift is perceived as a negative trend by some Mesa residents who fear higher crime rates, lower property values and a lower quality of life, while others view the trend as an opportunity.

Demographics surrounding the Intersection of Alma School Road and Southern Avenue

Demographic	0-1 mile	0-3 miles	0-5 miles
Persons by race (% of total)			
White	71.1	74.1	77.3
Black	5.8	3.9	3.5
Hispanic	26.7	29.7	25.8
Asian/Pacific Islander	2.9	2.8	3.5
Native American	5.6	3.1	2.3
Other	14.5	16.1	13.4
Households			
Number in 2002	8,300	50,467	122,852
Projected 5-year growth	3.6%	4.3%	5.9%
Owner Occupied Units	34.1%	49.9%	55.3%
Renter Occupied Units	65.9%	50.1%	44.7%
Income			
Average household income	$40,473	$48,853	$53,436

Source: AGS Inc., 2002 Estimates and Projections

Within a one-mile radius of the intersection of Alma School Road and Southern Avenue, average household income is significantly lower than within a five-mile radius. Also within a one-mile radius, the percentage of owner-occupied units is 20 percent lower than within a five-mile radius.

Median Age

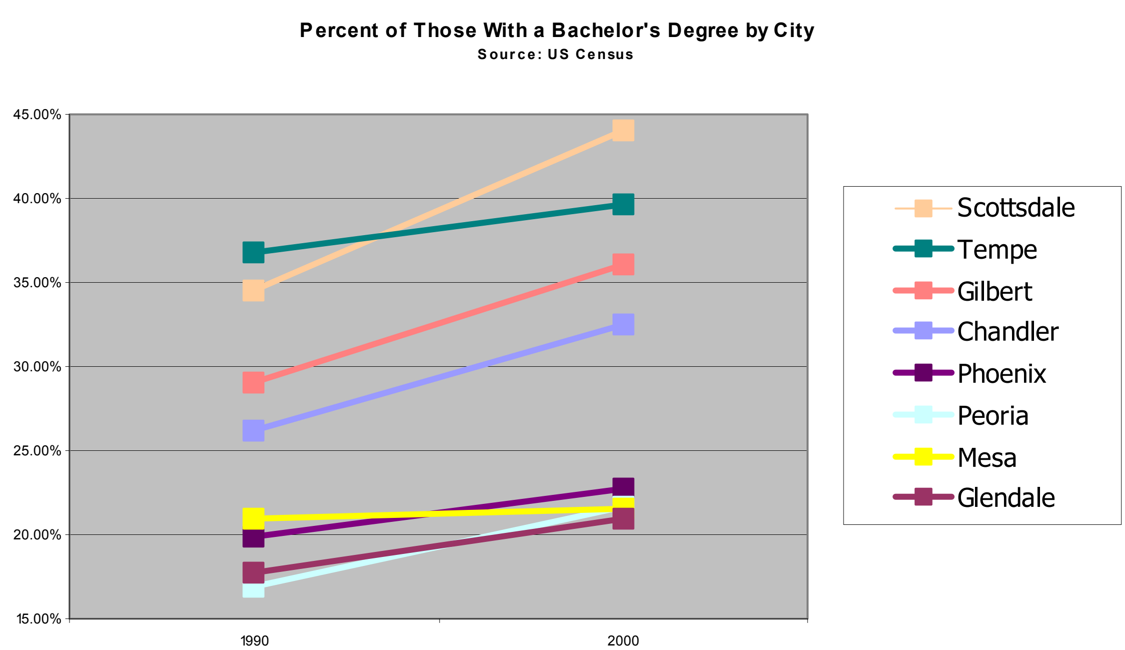
Area	Age
Mesa	32
Phoenix-Mesa MSA	33
Arizona	34
US	35

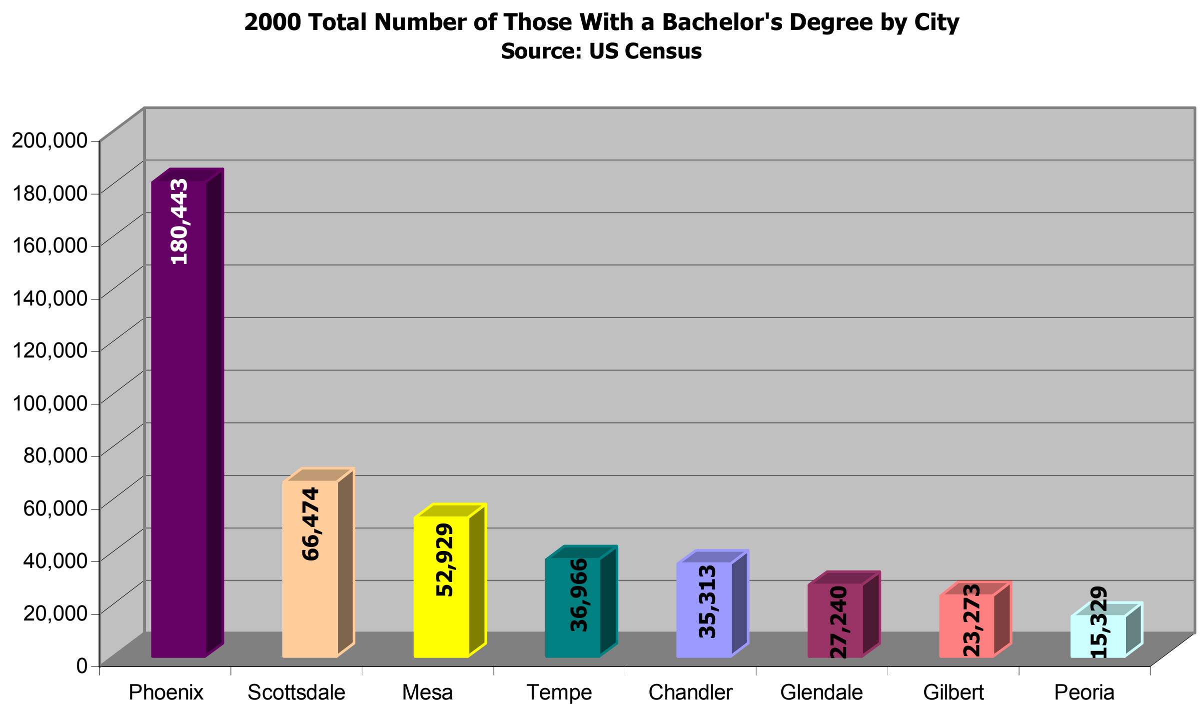
Source: US Census, 2000

Educational Attainment

Mesa has one of the lowest percentages in the region of people with bachelor's degrees. Although there was little growth in the percent of population with a BA between 1990 and 2000, Mesa's total volume of bachelor's degrees remains the third highest in the region at 52,929.

Mesa Educational Attainment, 1990 & 2000





Form of Government

Mesa has a council-manager form of government; six district council members and a mayor elected at-large.

Description of the Area Surrounding Fiesta Mall

Residential

Fiesta Mall is bordered by Southern Avenue on the north. North of Southern Avenue is a residential neighborhood characterized by multi-family rental housing and small, affordable single family homes. The area has the highest frequency of calls for police service in Mesa, as well as a higher amount of gang activity. Median sales prices for homes in neighborhoods to the north and east of Fiesta Mall are the lowest in the city ($115,000, in contrast with prices of $124,000 to $134,000 to the south of Superstition Freeway and up to $174,500 in east Mesa).

Dobson Ranch and Park Place are approximately 30-year-old, stable neighborhoods to the south of the Superstition Freeway. Both have active homeowner associations, steadily rising property values, and have regularly made physical improvements to the neighborhoods.

Retail

Fiesta Mall is surrounded by strip malls and power centers. Across Alma School Road to the east of Fiesta Mall is the Mesa Fiesta strip mall, which contains both a Best Buy and a Borders Books and Music. Southern Avenue, on the northern edge of the mall, is lined with shopping centers for blocks on either side of the mall. Directly north of Fiesta Mall are Fiesta Plaza and Fiesta Village. A Goodwill store recently located at Fiesta Plaza, to the concern of a number of stakeholders. At Fiesta Village, a former Bennigan's restaurant stands empty; however, there is discussion of upgrading the shopping center and including a major home improvement store.

Adjacent to Fiesta Mall to the west across Longmore is Three Fountains shopping center; Harkins Plaza, which contains a 5-screen movie theater; and the site of a future Target store. Further west of these shopping centers are Mesa Community College and Banner Desert Medical Center, both of which are bordered on their northern sides by shopping centers along Southern Avenue.

The strip shopping centers, especially the ones along Southern Avenue, have been declining and experiencing high vacancies. There are six centers over 30 years of age and the area has several large store vacancies.

Institutional Uses

Mesa Community College (MCC) serves more than 22,000 students at its Southern and Dobson campus, where it has been since 1965. MCC offers classes in several other locations and had total enrollment in 2002-2003 of more than 46,000 students. MCC is the largest of the 10 community colleges in the Maricopa County Community College District.

Banner Desert Medical Center is the largest, most comprehensive hospital in the East Valley, with over 600 beds. Banner Desert has an extensive behavioral health program, and its emergency room receives 107,000 visits per year, more than any other in the state. More than 1,500 physicians and 3,000 other staff are employed at the facility. Banner Desert is affiliated with Banner Health, a non-profit organization, and is Mesa's largest private-sector employer. It currently is constructing a 90,000-square-foot, five-story medical office building on site.

Both MCC and Banner Desert have plans to expand but face constrained sites and problems accommodating parking.

Office and Hotel Uses

Although the Fiesta Mall area has more than 750,000 square feet of office space, it is disproportionate in comparison to the amount of retail square footage. Directly east of the mall is Mesa's largest high-rise office building, The Financial Plaza, constructed in 1986 with more than 310,000 square feet in 16 stories. Financial Plaza is a Class A office building and is 90 percent leased. The other major office building in the area is

Mesa Corporate Center, one block east of the mall on Southern Avenue. Built in 2000, it primarily houses insurance and investment offices in 105,168 square feet of Class A office space. Mesa Corporate Center leased up at an above-average speed. It was over 70 percent leased at 18 months and over 90 percent leased at two years from start of construction; it remains 90 percent leased.

Other office space in the area is scattered in various locations: some at Fiesta Crossing, just south of Superstition Freeway at Alma School Road; First Financial Plaza (adjacent to Fiesta Mall to the southeast); Fiesta Professional Plaza (adjacent to the mall to the northwest), as well as an office complex located adjacent to Fiesta Mall to the northeast.

The area also contains several large parcels of vacant land, one of which is poised for additional office use: plans exist to build a low-rise office and banking center on the parcel between the Financial Plaza and Mesa Corporate Center.

A variety of hotels are located within 1-2 blocks on the east side of Fiesta Mall. Five of the hotels are limited service and one is full service, the Hilton Phoenix East/Mesa. Located just east of Fiesta Mall adjacent to the Superstition Freeway, the eight-story Hilton has corporate amenities such as conference space and meeting rooms, plus other amenities such as a neighboring executive nine-hole golf course.

New Development

As noted above, Mesa has grown at a rate that is approximately three times greater than the national rate over the last 10 years. Much of this growth, however, has been in the retail and residential sectors. City officials now are working to preserve undeveloped land along the Superstition freeway and in northeast and southeast Mesa for long-term commercial and industrial uses. Williams Gateway Airport has begun to develop as an air cargo and passenger airport, and is projected to become the fourth biggest airport in the valley. The General Motors Proving Ground also is located in southeast Mesa. The Santan Freeway (Loop 202), currently under construction, will bring more development and industry to southeast Mesa. The Maricopa Association of Governments (MAG) projects that by 2030, the area around the airport will develop into one of the top four regional employment centers, providing more than 100,000 jobs.

While the city continues to expand to the east, little investment is taking place in older areas such as west Mesa. According to developers who met with the IEDC panel, nearly all development is happening along freeways. An opinion expressed by one stakeholder was that developers do not consider office space near the mall a viable option because they see the location as stagnant. Developers cite low demand for office space in the Fiesta Mall area, as new offices are being built along the freeway near new homes and retail.

Retail developments by Kimco Developers, Inc. and Vestar Development Co. are in planning stages, across the freeway from each other at the intersection of the Loops 101 and 202, approximately four miles from Fiesta Mall. Kimco has announced plans to build The Riverview at Dobson, a 220-acre commercial center east of the Loop 101 and 202 interchange. Vestar has announced plans to develop Tempe Marketplace, a one million square-foot regional power and entertainment center, on 103 acres at the southwest corner of Loops 101 and 202 (just west of Mesa's border with Tempe).

News articles have reported that the 63-acre first phase of The Riverview at Dobson, expected to open in 2005, will include two major anchor tenants and a variety of small occupants totaling approximately 615,000 square feet of retail space. Upon completion, the new development could incorporate up to two million square feet. Local residents have been told that the new development is expected to attract nationally recognized retailers, including lifestyle and home merchandise, entertainment venues, restaurants and specialty stores.

There is concern that one or both of these developments could lure retailers from the Fiesta Mall area. Retail development is also planned at the southwest corner of the Salt River Pima-Maricopa Indian Reservation (at the northern border of west Mesa).

Major Retail Centers

Name, type of center	Location	Size (GLA)	Age	Anchors
Arizona Mills, outlet mall	Southeast quadrant of Interstate 10 and Superstition Freeway, 7.7 miles from Fiesta Mall	1.2 million square feet	Built 1997	Manufacturers' outlets, retail outlets, superstores and value discounters, including JCPenney Outlet Store, Mikasa Home Store, Virgin Megastore; 175 value retailers
Chandler Fashion Center, mall	Chandler Blvd and Price Freeway (Loop 101), 8.4 miles from Fiesta Mall	1.3 million square feet	Built 2001	Dillard's, Nordstrom, Robinsons-May, Sears, 180 shops and restaurants
Fiesta Mall, mall	Alma School and Superstition Freeway	1.04 million square feet	Built in 1979 Renovated in 2000	Dillard's, Macy's, Robinsons-May and Sears; 135 retailers
Scottsdale Fashion Square, mall	Camelback and Scottsdale roads, Scottsdale, 12 miles from Fiesta Mall	2.3 million square feet	Built 1962 and 1974, expanded 1998	Dillard's, Nordstrom, Macy's, Neiman Marcus, Robinsons-May; 225 retailers
Superstition Springs Center, mall	Power Rd. and Superstition Freeway, 11 miles from Fiesta Mall	1.3 million square feet	Built 1990	Dillard's, JCPenney, Mervyn's, Robinsons-May, Sears, 150 retailers

Fiesta Mall Currently

Fiesta Mall is an architecturally-dated, cross pattern-shaped, enclosed mall of 1.04 million-square-foot (gross leasable area) that opened in 1979. It has 135 retail stores (313,000 square feet) and four department stores (Dillard's, Macy's, Robinsons-May and Sears). Each department store owns its own space and adjacent parking. The remainder of the mall is owned by L & B Realty Advisors, Inc., a group of pension funds, and operated by General Growth Properties out of Chicago. Several strip centers occupy parcels just outside the mall's ring road (see Appendix A for details).

In 1990, two of the department stores expanded and built a parking deck. A deal to bring in an 18-screen Harkins Theatre between Macy's and Dillard's was negotiated in 1996, but fell through when the theater could not guarantee the mall's required investment return. Fiesta Mall underwent a $3 million renovation of interior finishes in 2000, and a children's play area was recently constructed near Sears. For many years, Fiesta Mall has lacked sit-down restaurants.

Reciprocal easement agreements between the mall owner and department stores have expired, meaning that the department stores are no longer tied to operating at the site. (A reciprocal easement agreement binds the mall owners, department stores and small shops together by allowing all parties to use common area facilities. It identifies all exclusive uses, operating covenants, restrictions and other operating criteria in and around the mall. Mall owners need the agreement to secure financing and get a mall built. They typically are negotiated for 15 years or the life of the loan; after that time, a department store is no longer obligated to operate under the agreement criteria, which may call for no further need to function either in name or use.)

Fiesta Mall's trade area was the entire East Valley when it opened. Since then, competitive malls have opened all around the East Valley, most notably Superstition Springs Center, Arizona Mills, then Chandler Fashion Center. Fiesta Mall's primary trade area has shrunk from 10 miles to about five miles.

Just two years ago, Fiesta Mall's sales were $459 per square foot. Since then, sales per square foot have fallen to $360, which is representative of a good west coast mall. Much of the decline in sales is due to the opening of Chandler Fashion Center in 2002. Fiesta Mall's anchors withstood similar drops in sales:

- **Macy's**: $30 million per year in sales prior to Chandler's mall opening; projects sales of $18 million in 2003.
- **Sears**: $56 million per year in sales before Chandler's mall opened; sales in 2003 are projected to finish at $30-32 million. Sears lost some business to its own store in Chandler and lost the entire appliance market south of Chandler's mall.
- **Robinsons-May**: peaked at $35 million in annual sales; expects to finish 2003 at $22 million.

Although mall sales dropped considerably after the opening of Chandler Fashion Center, they have inched up recently, indicating that the damage from Chandler has peaked. Mall retailers report though that there are many customers that they have permanently lost. Department stores report that the new Target store should help their business, though Sears may be hurt. Dillard's, like Sears, put a store in Chandler's mall and lost sales to it. Though the mall's drop in sales per square foot is significant, they remain well above the threshold for "vulnerable malls" of $275 or less, according to the Urban Land Institute. In addition, there are almost no vacant spaces in the mall.

Department stores are changing their merchandising mix as a result of the Chandler mall. For example, Macy's recently added furniture. Even prior to Chandler Fashion Center's opening, Fiesta Mall began adjusting its merchandising mix – Robinsons-May and Dillard's removed their upper-end apparel 7-8 years ago.

Fiesta Mall targets middle-market, middle-income consumers. Surveys report that customers find it friendly, comfortable and inviting. Customers have no concern with security in the mall, although there are concerns in areas around the mall. Unlike Chandler Fashion Center, Fiesta Mall is busier in the daytime than in the evening.

Evidence of Mesa's changing demographics can be found at Fiesta Mall. For example, a representative of the mall's Sears store reported that evening and Sunday sales are almost exclusively Hispanic. Approximately 22 percent of the mall's shoppers are Hispanic.

III. Trends in the Shopping Centers Industry

The shopping center industry began in the 1950s with the development of Country Club Plaza Shopping Center in Kansas City, Westwood Village in Los Angeles and Southdale Mall in Minneapolis (the first fully-enclosed shopping center). According to the International Council of Shopping Centers (ICSC), almost 43,000 shopping centers, outlet malls, power centers, off-price centers, and warehouse clubs have been built since World War II, including 1,500 regional malls.

Challenges to Malls

The mall industry has changed drastically over the last 50 years, particularly in the last decade. In general, the malls most likely to be successful are large, super-regional malls built to serve new suburban neighborhoods. Inner-ring malls—those built in the 1960s and 1970s, in particular—are suffering from a combination of factors:

> *In a pattern of retail Darwinism repeated across the country, middle-aged malls give way to bigger, flashier malls on the suburban fringe.*[4]

1) **Age and design**. Older malls tend to be smaller. Most also were designed to have no connection with their environments—built with blank, windowless facades on the buildings and surrounded by a large, unbroken moat of parking. They are not pedestrian-friendly and are frequently indistinguishable and interchangeable with any other mall of the same era, from the inside and out. Shoppers perceive them as dark and tired. Most current mall developments encompass both closed and open-air shopping experiences.

2) **Competition**. New shopping centers are constantly being built and they are usually sited near new residential development. As most U.S. cities continue to grow by sprawling out from their central cores, most housing and new shopping centers and are built on undeveloped land at the city edge. These larger, new malls reduce the market share of older malls located closer in town, often in neighborhoods that are beginning to deteriorate.

   In some areas, shopping centers may be suffering simply because the market is saturated. Thirty-two million square feet of new mall space came on the market between 2000-2002, and retail space per person in the U.S. has increased from four square feet in the 1960s to 20 square feet in 2002.

3) **Internet and catalogue sales**. Catalogue sales have had a significant impact on the sales of brick-and-mortar stores for more than a dozen years. By the late 1990s, shopping on the Internet had become a popular option to both catalogue and in-store sales. E-commerce is growing at 35 percent a year—reaching sales

[4] "The De-Malling of America," by David Salveson, *Urban Land*, 2001.

of over $43 billion in 2002[5]—whereas traditional retail growth is 4 to 5 percent per year.[6]

4) **Trends in consumer taste**. "Mall fatigue" is a well-documented phenomenon among followers of the retail industry. Consumers have grown tired of the same layout, the same décor and the same stores—there is little to distinguish their experience in one mall from the next, and they experience nothing that is unexpected. Consumers have come to expect more of an entertainment experience and a 'destination' feel.

   According to the Urban Land Institute (ULI), the issue of declining malls may be less a function of having too much space than too much *obsolete* space that all appears to be the same. In other words, the future of malls is secure, but trends are changing their traditional, stand-alone fortress design and pedestrian-unfriendly atmosphere.

   Sales per square foot, generally, decline as a mall ages, so when new shopping centers come on the market, older regional malls have to be 'reconfigured, refreshed and retenanted' in order to compete. Much of the older mall stock on the market doesn't meet the shopping needs or 'experience requirements' of consumers. Differentiation is essential, particularly in terms of value, entertainment experience or size.[7]

   In addition, consumers themselves are changing. They are increasingly 'non-traditional'—single, childless, elderly, double-income or empty nesters. Many customers don't perceive older mall formats as convenient, which is one of their highest values in a shopping experience. They want a broader mix of services and amenities available in one trip, as well as to be able to combine their retail trips with errands that typically had to be fulfilled in other locations, such as trips to the library or gym. Consumers are looking for environments that impart a sense of fun or adventure to their daily lives. They want to be entertained; to be able to enjoy outdoor environments and gathering places such as cafes and coffee shops. Further, today's shoppers are both males and females who do not like parking decks, want to drive up to stores' front doors, and, most likely, don't want to spend a lot of time "shopping"—they want to "buy," or quickly make a purchase.

Dying Malls - Greyfields

A study by The Congress for the New Urbanism and PricewaterhouseCoopers in 2001, "Greyfields to Goldfields," defines greyfield malls as "retail properties that require

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[5] US Census Bureau, Economics and Statistics Administration, November 2003 report on retail e-commerce sales, http://www.census.gov/mrts/www/current.html.
[6] "The Internet as a Retail Sales Tool," Jerry Braatz, Center for Community Economic Development, University of Wisconsin-Extension, October 2002. www.uwex.edu/ces/cced/lets/1002LTB.pdf.
[7] "Malls Wars," by Ben Johnson, *Urban Land*, February 2002.

significant public and private-sector intervention to stem decline." The study defines greyfield malls as those with sales per square foot of $150 or less. In general, malls with sales of less than $275 per square foot are considered vulnerable and will have trouble withstanding gradual decline.

Classes of Regional Mall – Sales per square foot

Class	Inline Retail Sales PSF
A+	$400 and up
A	$300 to 399
B+	$250 to 299
B	$200 to 249
C+	$150 to 199
C	$100 to 149
D	Less than $100

Source: Korpacz Investor Survey, PricewaterhouseCoopers

The study estimates that 7 percent of regional malls in the U.S. currently can be classified as greyfields, and another 12 percent becoming so in the next five years. Greyfield malls typically have the following characteristics:

- Smaller average site size—about half the size of the nation's best-performing malls.
- Not as well connected to the regional transportation system (lack direct freeway access).
- Several million square feet of competing retail space within five miles—often in trade areas dominated by newer retail formats and high-end retailers.
- Older.

Potential Reasons for Mall Decline

- Changes in accessibility, infrastructure, and transportation corridors that effectively make older inner city and first-ring suburban malls less competitive.
- Changes in urban economics - shifts in population, capital, and attention to increasingly distant suburbs.
- Alterations in retail format over time - introduction of power centers and category killers.
- Competition from newly constructed centers within 3-5 miles.
- Changes in surrounding area household demographics - age of population, racial composition, household income.
- Changes in the level of tenant commitment - unwillingness to sign long-term leases, creation of encumbrances that make it difficult to redevelop the property.
- Poor facility management, lack of revenue to support necessary maintenance.
- Other forces, i.e., anchor tenant bankruptcies/ mergers, environmental stigma.
- High private ownership may signal lack of capital to invest in renovations and/or expansions.

Source: Greyfield Regional Mall Study, PWC & CNU, 2001.

Design trends

Malls built in the last five years differ significantly in design from their predecessors.

Size

Malls are getting bigger. Gross leasable area (GLA) in the newest malls, built between 2000-2002, is 1.15 million square feet. Ten years prior, GLA was 942,000 square feet (for malls built between 1990-1992), according to ICSC.

Layout and configuration

Creative architecture, entertainment venues and open-air formats are increasingly popular. Often, a mall will have both an enclosed area and a 'streetfront' retail component (an open-air pedestrian street with storefronts lining both sides), attempting to recreate a faux-historic "Main Street" feel. The focus is towards "buying" rather than "shopping."

Lifestyle and entertainment

Perhaps related to the revival of many downtowns during the 1990s, the current hot trend in mall design is creating a sense of 'place' or 'community.' Shopping center developers are responding to consumer interest in places that differentiate themselves; feel "authentic;" and provide not just a shopping experience but one that reflects their lifestyles.

Shoppers are looking for opportunities to linger and meet people. Entertainment is an increasingly vital component in the development of new malls. According to ICSC, shopping centers have started including non-retail tenants such as sports facilities, theaters, children's activities, gardens and restaurants to cater to customers who have many choices as to where they shop. Developers recognize that their centers need to be entertaining, and that shoppers want their malls and town centers to blend with and reflect their own communities.

Mixed uses

For many years, retail was the only activity available at nearly every mall. But increasingly, malls are shedding their status as single-use behemoths to incorporate residential, office, hotel, entertainment, civic and cultural activities. The trend is in response to demand for convenience and the growing popularity of mixed-use developments.[8]

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[8] "Mall Wars," ULI.

National trends in the reuse and revitalization of older malls

Malls whose sales have declined are often revitalized with physical upgrades, new tenants, or a wholesale reinvention that brings in a mix of uses.

Upgraded Malls

Many older malls are undergoing facelifts in order to compete. Some undergo reconfigurations while other receive cosmetic renovations.

Complete renovation inside and out improves the dark and dated look of many older malls. A new theme and "look" might include new paint, interior finishes, landscaping and visually improving the parking area.

Reconfigurations may include opening up portions of a mall to the outside. For example, a struggling 750,000-square-foot mall in Orland Park, Illinois dating from 1980 was converted to an open-air center. Other reconfigurations include reorienting some stores to the exterior or adding wings.

Retenanted Malls

Some malls have reversed decline by pursuing a different tenant mix. A vacated anchor sometimes can be an opportunity to begin a new tenant strategy. This has become increasingly common as typical department store anchors began to have trouble in the 1990s. Veteran retailer Montgomery Ward's closed in 2001, JC Penney closed 33 stores in a restructuring, Lord & Taylor has announced that it will close 32 stores, and many regional chains have disappeared. Retail Traffic magazine reports that even Sears may close as many as 300 of its older, smaller stores in regional malls in favor of larger, freestanding stores.

As discount shopping has become more acceptable to higher-income customers, "value-oriented retailers" such as Target and Kohl's have become the greatest users of former anchor space. Wal-Mart, Sam's Club and Costco also continue to pursue older mall locations. The same is true for the 25,000- to 50,000-square-foot mid-size retail tenants, e.g. Toys/Babies R Us, and Bed Bath & Beyond. Stores like these that offer practical merchandise (rather than a fashion or lifestyle-oriented mix) can help shopping centers become one-stop destinations. Such malls also can attract "category killers" such as Best Buy to function as non-traditional anchors, thereby increasing their tenant mix. An example of a highly unusual anchor is the nation's first mall-based Harley Davidson dealership, which recently opened in a vacated department store in Rock Springs, Wyoming.[9]

Department stores also can be replaced with a combination of retailers, such as a sporting goods store, bookstore or home furnishings store, with different retailers taking different

[9] "The Replacements," by Curt Hazlett, Retail Traffic Magazine, October 1, 2003.

floors of a department store because the space is so large. A Bullock's department store in Los Angeles County's village of Westwood, for example, with 120,000 square feet on three levels, was renovated to house an EXPO (a high-end Home Depot), a grocery store and a bookstore, along with its own parking.[10] (Case studies of various tenant strategies are included under Recommendation V.)

Conversely, other malls pursue a strategy of upgrading their tenant mix to attract higher end stores such as Nordstrom, combined with cosmetic renovations.

Ethnic Retailing

Other malls are capitalizing on demographic changes such as the ethnic makeup of surrounding neighborhoods by attracting retailers that target those markets. Shopping centers repositioned to attract Hispanic clientele may have Hispanic-oriented record stores, grocery stores, clothing and furniture stores. Asian-themed shopping centers exist in Minnesota, Nevada and Washington state. This is a fairly new trend, however, and most ethnic retail centers so far have been low-cost retrofits of shopping centers in secondary trade areas.

Ethnic retailers are looking for three things: a critical mass of population; rapid growth; and the potential to gain market share. Grupo Gigante, for example, owner of Mexico's third-largest retail chain, prefers a market with an 80 percent Latino population. Conversely, lack of a concentrated population can create a large market area from which a shopping center can draw.[11]

Case Study: Buford Highway and Plaza Fiesta

More than 1,000 Latino and Asian businesses, including Plaza Fiesta shopping center, operate on Buford Highway in Georgia's DeKalb County near Atlanta. DeKalb's chamber of commerce has described the area as "the Southeast's largest concentration of ethnically diverse restaurants, grocery stores, and service businesses." Many have clustered together into small retail centers with names like Asian Square, Koreatown Plaza, Little Saigon, Oriental Center, Pung Mie Plaza, and Vietnamese Town. Some cities, such as Chamblee, Georgia, want to invest in the potential of such businesses: city officials, together with DeKalb County and its chamber of commerce, are working to redevelop a 400-acre area in the city known as International Village, including pedestrian improvements and roadside beautification of Buford Highway.

Plaza Fiesta, which bills itself as "Georgia's only Latin American mall," is one of the most successful retail developments along Buford Highway. In 1998, RAM Development Group Inc. bought the half-vacant, 350,000-square-foot center, expecting to raze it and build a power center. But the company soon learned that the burgeoning local

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[10] "The Community Mall," ULI, p. 2.
[11] "A New Beat," by Morris Newman, Urban Land, February 2003.

Hispanic population had a "demand for a place they could call their own, with clean bathrooms, good security, something for the children – a place you could bring your family," said Doug McMurrain, a partner at RAM.

Designed to resemble a street in Central America, RAM gutted the 150,000-square-foot interior, making way for an indoor playground and a flea market designed as a village, with a fountain and 12-by-12-foot stalls. The center is anchored by two mainstream retail chains, Marshalls and Burlington Coat Factory, and has a number of smaller merchants, including an ethnic grocery, a western wear store, a Latin music outlet, and Latino and Asian restaurants. Adjoining the conventional retail businesses are 154 booths of small, flea market merchants, which the mall manager prefers to call "business incubators." In addition to the retail, Plaza Fiesta features a 1,500-seat former movie theater that has been converted to a venue for live events, Latin concerts and community activities. Also on-site are a food market and a prenatal care clinic, soon to be joined by pediatric health, dental and vision centers. RAM Development reports that the center was leased up in four months.

Sources: "Hispanic Stores Gives Plaza Fiesta Much to Celebrate," by Nancy Cohen, Shopping Centers Today, October 2003; "A New Beat," by Morris Newman, Urban Land, February 2003.

Case Study: Pan Asian Urban Village

A failed mall in St. Paul, Minnesota, is being made over into the city's largest Asian marketplace and professional services center. The Unidale Mall on University Avenue, originally intended primarily for African American shoppers, will become the Pan Asian Urban Village, a $30 million, mixed-use project that will serve the city's burgeoning Asian population. Among the largest groups is the Hmong community, most of which emigrated from Vietnam after the fall of Saigon in the mid-1970s; they now comprise the largest single Hmong enclave in the country, accounting for 45,000 Minnesota residents, according to the 2000 census, though local officials believe the number is higher. The design of the center reflects the attempt to bring in businesses, including retail and professional offices, intended to appeal to several different Asian groups, including Chinese, Japanese, Korean, and Vietnamese.

Pan Asian Urban Village is a combination of 160,000 square feet of commercial space, 50 units of housing for seniors, and a cultural center. The deal is a complex one with many players. The St. Paul Housing and Redevelopment Agency plans to acquire the eight-acre site. The developer of the commercial space is the Pan Asian Development Group, a St. Paul–based entity headed by Christopher Thao, president of Hmong Development Group; other developers are nonprofit homebuilder the Wilder Foundation/Accessible Space Inc. and the Asian Pacific Community Center, which is in charge of the cultural center. Construction of the commercial space is expected to start this summer, with completion expected this December.

Source: "A New Beat," by Morris Newman, Urban Land, February 2003.

Reinvented Malls

Some malls are being reinvented completely as mixed-use developments. In the search for a sense of identity or place, some suburbs are turning their defunct malls into town centers with mixed-use development, or "lifestyle villages" with residential and retail.

This typically happens either by razing the mall completely and constructing new buildings, or maintaining some portion of the original mall and adding new uses—office, residential, or public components, such as parks and government buildings. Adding nonretail components increases the market for groceries, drugstores and personal services tenants and also increases traffic to the center.

Mall sites lend themselves well to such reinvention for the following reasons.

> **Site size**. Older malls occupy sites of large enough scale to justify the cost and risk of infill development. The land also is in consolidated ownership, eliminating the need for an extensive land assembly process that typically would be required to create a parcel of the same size in an already-developed neighborhood. Large sites also can accommodate a wider variety of uses.
>
> **Site location**. Older malls often are well-located, surrounded by viable residential neighborhoods and office uses that sprang up from the time the mall was developed. Real estate is valuable in these established areas. The critical mass of activity surrounding the site helps ensure a market for the range of future uses at the site.
>
> **Transit accessibility**. Many former malls are accessible to transit lines, particularly bus service.
>
> **Mixed-income housing**. Developing higher-density housing in existing neighborhoods often confronts opposition from established neighbors. Mall sites are large enough to accommodate entirely new neighborhoods that can be buffered from existing neighborhoods.
>
> **Civic space**. Public space is missing from many post-war suburbs. Former mall sites provide an opportunity to incorporate public parks into these areas.

Examples of projects like these include:

- South Square Mall in Durham, North Carolina: razed and turned into a power center after the construction of a new regional mall several miles away in 2001.
- A 1960s vintage strip mall in Mountain View, California (18 acres): recently became a transit-oriented neighborhood called the Crossings. It includes a commuter station, stores and over 500 dwelling units.

- Mizner Park Mall in Boca Raton, Florida: demolished and redeveloped as a pedestrian-scale, mixed-use center with housing units and half a million square feet of retail and office space.

Case Study: La Mirada Theatre Center, La Mirada, California

In the 1980s, the 700,000 square-foot La Mirada Mall was an underfunctioning, 30-year-old shopping center plagued by vandalism, a 35 percent vacancy rate and below-market rental rates at its 70 businesses. Previous owners had attempted unsuccessfully to revive the property as a retail center.

Yet local residents remained attached to the mall, and this psychological barrier to redevelopment was the first and one of the biggest hurdles faced by the Hopkins Real Estate Group in 1987 when it acquired the property. Hopkins proposed to the La Mirada Redevelopment Agency to raze the mall and replace it with a different project that combined retail and residential.

The La Mirada Redevelopment Agency played an important role in helping Hopkins relocate some tenants. The 72-acre mall property was divided with half to be retained for retail use and the remaining area as residential; only 80,000 square feet of retail area from the former mall would remain.

The first phase of the redeveloped La Mirada Theatre Center combined a retail/cinema shopping strip with freestanding retail stores and services in a wedge-shaped site, for a total of 340,000 square feet of retail space. The design shows Latin American influence in the tiled roofs and arched arcades along the storefronts. A similar-sized area made up of 237 single family homes fills the rest of the former La Mirada Mall site. The mixture of uses not only provides customers for the mall, but has brought in new residents to energize the area.

Source: Retail as a Catalyst for Economic Development, ICSC and IEDC, 2001

Case Study: Cinderella City, Englewood, Colorado

Cinderella City shopping mall opened for business in 1968, then the largest shopping mall west of the Mississippi. When it opened, Cinderella City Shopping Center was 1.35 million square feet of enclosed space. It boasted some 250 stores, services and restaurants on three levels, plus a 600-seat theater. The shopping center consisted of five individually named malls connected by a center court, known as the Blue Mall. It featured a spectacular fountain with a 35-foot high spray and a handcrafted, double-decker Italian carousel that could hold up to 70 people.

Cinderella City enjoyed tremendous success until the early 1980's, when a downturn in the economy coupled with growing competition caused many of the anchor stores to close. In 1991, the City of Englewood began steps to redevelop the site. By 1995, the mall was virtually deserted by its shoppers and its tenants. Montgomery Ward was the final tenant to vacate the premises in December of 1997.

CityCenter Englewood replaced Cinderella City with a transit-oriented development (TOD). This TOD is a pedestrian-friendly, mixed-use concept that includes retail, entertainment, residential, office, civic and open space elements with a transit focal point. The former Foley's building has been renovated into the new Englewood Civic Center, which houses the City Hall offices, the Library, Municipal Court and the Museum of Outdoor Arts. The Civic Center was the first feature of CityCenter Englewood to open when it made its debut in June 2000.

The Civic Center creates the cornerstone of the redevelopment of Cinderella City that includes Wal-Mart, Trammell Crow apartments with first floor retail, Office Depot, Gant Sports, IHOP, Q'doba and other retail and commercial businesses, second floor office with first floor retail, a light rail station and a Bally's Fitness Center.

The outdoor spaces lend themselves to pedestrian traffic, gathering areas and display space for public art. Concerts, programs and events are staged in the amphitheater of the Piazza. The fountain area provides both beauty and fun with the variety of water flows and interactive areas.

Source: http://www.communitylink.com/englewood/commerce.htm

IV. Key Market Dynamics

Based on the background report and interviews, the IEDC team concluded that five major factors are affecting the retail market in Mesa:

- Regional growth and sprawl
- Changing neighborhood demographics (households and employment)
- Relentless retail competition
- Evolving city focus
- Lack of property tax

<u>Regional growth and sprawl</u>

When Fiesta Mall was built in 1979, the Phoenix metropolitan area was much smaller, both in terms of population and geography. Fiesta Mall was the only retail center of its kind in the East Valley, and the Superstition Freeway (adjacent to the mall) had not been built.

Since then, the Phoenix area has grown dramatically. New malls such as Superstition Springs and Chandler Fashion Center were built in the East Valley, plus the expressways that provided easy access. Residential and office market growth have continued to decentralize as well.

The expansion of the Phoenix area to the east now reaches beyond Maricopa County into Pinal County. Completion of the planned 202 freeway loop will further open up the southeast corner of the metropolitan area to intensive new development. As the Phoenix area's population expands out from the city, larger, newer malls and residential development will continue to be built on the suburban fringe. It is unlikely that Fiesta Mall will be able to compete against these geographic trends to again draw customers from a wide radius. These trends have the effect of shrinking Fiesta Mall's market share; it has become more of a community-serving mall than a regional mall.

<u>Changing neighborhood</u>

As discussed earlier, Mesa has grown tremendously in the last 40 years. Besides a massive increase in residents, demographics have changed as the city's Hispanic population grew to 20 percent.

West Mesa is older than east Mesa. Much of its housing stock is 30-40 years old and lacks features that are important to buyers today. Neighborhoods north of the mall area have small, inexpensive single-family homes (and therefore are not prime candidates for renovation or restoration) and poorly maintained multi-family properties. Crime and gang activity have increased in this area in recent years. Both home resale value and household incomes are lower in the area around Fiesta Mall than in the rest of Mesa. Many location specialists for upscale retailers recognize that the immediate area does not have the required demographics for a new store. In addition, there are vacant stores and several underperforming strip malls in the area. Several retailers in the area are concerned about the signal sent by the recent location of a Goodwill store near the mall.

As private investment activity in Mesa continues to take place in less developed areas to the east, west Mesa has begun to feel the effects. Its image has declined, both because of the mall's lack of curb appeal and apparent age (in comparison to newer malls) and because of the decline of many strip centers along Southern Avenue. Retailers interviewed by the IEDC panel voiced concern about the immediate area; both they and shopping center managers are concerned that Southern Avenue appears blighted.

Relentless retail competition

The impact of the opening of Chandler Fashion Center in 2002 on Fiesta Mall and surrounding retail was apparent. Revenues for three of the four anchors at Fiesta Mall fell approximately 40 percent, and the mall's sales per square foot decreased by 22 percent.

As the Phoenix metropolitan area continues to gain population, new shopping centers are continuously being built. Currently, several shopping centers are being planned within less than five miles of Fiesta Mall: two shopping centers at the intersection of 101/202, in the northwest corner of Mesa and the northeast corner of Tempe; and at the Salt River Pima-Maricopa Indian community.

According to shopping center managers interviewed, some of their tenants are in danger of moving to places such as the new development planned at the intersection of Loops 101 and 202, or Chandler Fashion Center. While their retailers are still viable in their current locations, they are not performing as well as desired.

Retail development in the Phoenix area is complicated by the lack of tax base sharing agreements.[12] Because the stakes are 'all or none,' communities competing for new retail provide generous incentives to attract new development to their jurisdictions. This also creates a tendency to position new retail on the fringe of the municipality in order to gain the maximum tax revenue from adjacent communities, and to create a defensive position that prevents sales tax leakage from residents to adjacent communities.

[12] Sales tax sharing plans are intended to reduce the problem of "fiscalization of land use," such as competition between a city and county for big box retail development and the high tax revenues it can bring. In Stanislaus County/Modesto City, California, the city and county have identified a specific area where sales tax revenues will be shared, based on the estimated sales tax that existing and future developments in the area are expected to generate. Probably the best-known example of regional tax-base sharing is in the seven-county region of Minneapolis-St. Paul, where it has been in place since 1971. Each community in the region contributes 40 percent of the growth of its commercial and industrial property tax base after 1971 to a regional pool. The funds are redistributed based on a formula that takes into account a jurisdiction's population and fiscal capacity. This also can be done with sales tax revenues.

Evolving City Focus

The Fiesta Mall area had been successful on its own accord for many years, leaving the city to concentrate its development efforts on other parts of town.

City-led revitalization efforts in Mesa have been focused on the downtown business district. The city also is supporting development of other key employment centers/corridors throughout the community, including the Falcon Field, Superstition Springs and Williams Gateway Airport areas.

Lack of Property Tax

The IEDC team felt that Mesa's lack of a property tax works against it in several ways. First, it creates no incentive to redevelop underutilized property. Second, a property tax is an important revenue enhancement tool that the city could use to fund public projects. Third, given the competitive retail pressure surrounding Mesa and ongoing demographic change, the city is likely to suffer increasing fiscal distress by continuing to rely heavily on sales tax revenues.

These findings are also consistent with Mesa's Economic Development Strategy, which identifies the need to "diversify City government's current and future fiscal resources to support community needs."

V. Analysis of Strengths, Weaknesses, Opportunities and Threats

The following section analyzes the strengths, weaknesses, opportunities and threats for Fiesta Mall and the surrounding area.

Strengths

Fiesta Mall

- Size: four anchors and 1.04 million square feet
- Large site
- Above average per square foot sales
- Few vacancies
- Is no longer experiencing significant sales declines from Chandler Fashion Center opening
- Well-managed
- Interior improvements recently made
- "Friendly, comfortable and inviting"
- Not "crowded"

The surrounding area

- Major employers and large institutional land uses nearby (Banner Desert Medical Center, Mesa Community College and Pearson Digital Learning)
- Stable residential neighborhoods to the south
- Easy access to, and recent widening of Superstition Freeway
- New Target store

Despite tough retail competition and lower retail sales, Fiesta Mall appears to be doing surprisingly well. Its current small shop sales per square foot of $360 is still healthy. It has four anchors, all of which (while not doing the same volume of business as when they were the only option in the East Valley) are doing satisfactorily by industry standards. Only two vacant stores were observed when the IEDC panel toured the mall. Chandler Fashion Center opened in 2002 and lowered Fiesta Mall's sales per square foot, but the decline appears to have leveled off.

Many stakeholders interviewed by the panelists said they preferred to shop at Fiesta Mall rather than newer malls because it is more convenient. They consider the mall easy to get around, they know where to find things, and it is in their neighborhood. According to Fiesta Mall General Manager Sheila Hunter, the most frequent positive comments about the mall are that it is "friendly, comfortable and inviting."

The IEDC team also concluded that Fiesta Mall appears to be well managed. The on-site manager is well informed and active. Interior improvements were recently made to modernize the mall's appearance. A play area was recently added, providing a destination for parents with young children.

Easy access to Fiesta Mall exists from Superstition Freeway. In addition, the mall has a large site, which allows room for new uses or reconfiguration.

Weaknesses

Fiesta Mall

- Lack of curb appeal; uninviting exterior
- Lack of sit-down restaurants and entertainment, such as movie theaters
- Activity at the mall not strong after 6:00, when other malls pick up
- Lack of signage
- 4-anchor, 1.04 million square-foot GLA mall
- Lackluster department store layouts
- Lack of services for the local community
- Lack of linkage to surrounding land uses and neighborhoods
- Poor parking layout; potentially unsafe parking field and deck

The surrounding area

- Image of the neighborhood around the mall has declined
- Southern Avenue is high-vacancy, declining commercial corridor
- Lacks sense of place, brand image
- Limited communication between mall and surrounding retailers
- Lacks physical connection with the mall
- Mesa is a "commute away from" city; lack of jobs near the mall
- As an office location, the Fiesta Mall area continues to rank low on the list of top choices
- Lack of city property tax

Many of the weaknesses of the Fiesta Mall itself can be summarized in one stakeholder's comment: "The mall is old." Fiesta, like most other early malls, was not designed with many of the amenities and activity generators that are expected in new malls, such as sit-down restaurants, movie theaters, and activity areas for children. Such activities make new malls more of a lifestyle experience than just a shopping destination. Shoppers have become bored with traditional malls, according to the International Council of Shopping Centers. The hybrid format (part outdoor, part indoor), the Main Street-style center, or lifestyle center (open air format with upscale national chains) are the concepts that are currently capturing shoppers' attention.

Besides specific entertainment amenities, the latest generation of malls differs greatly in aesthetics and site plan from older malls. New malls typically have a more contemporary design, with high ceilings and upscale finishes. Contemporary malls also are designed to engage more with their surroundings than older malls, with exterior windows and fewer big blank walls—more like an old-fashioned city street than a fortress. Fiesta Mall was developed to have no physical connection with its environment. The building is surrounded by an unbroken moat of parking and an unattractive and potentially unsafe parking deck.

In addition, there is very little signage or area branding to help customers find the mall. Store managers also complained of too little marketing for the mall and lack of activity generators such as restaurants. They also cited a preference for a Target in the mall, rather than nearby.

The IEDC panelists classify Fiesta Mall's characteristics as a 4-anchor, 1.04 million square-foot mall as a weakness as well as a strength, largely because of the financial trouble that many traditional department store anchors have faced in recent years. Many malls across the country have been forced to look for creative options as their anchors have gone dark.

Retailers in and around the mall are concerned about the image of the area and about Southern Avenue's viability as a commercial corridor. Their concerns center around vacant retail space along Southern Avenue; low-end retailers moving in; crime and poor housing to the north; and general unattractiveness in the area.

Many stakeholders interviewed consider the lack of office space around the mall, and daytime activity from those office workers, as a weakness. They believe that office space is needed not only to bring activity to the area but also to diversify land uses away from retail. The Fiesta Mall area is being bypassed as an office location in favor of sites farther east, and has the status of a community that people must commute from to access jobs.

Fiesta Mall lacks both a physical and social connection to the surrounding community. It houses no service retail businesses such as drug stores or grocery stores or amenities such as a library or government offices. There also is little interaction between the mall and surrounding retail, or its institutional neighbors such as Mesa Community College and Banner Desert Medical Center.

The IEDC team viewed the City of Mesa's lack of a property tax as a weakness, particularly since it is the only large municipality in the region without one. It increases reliance on sales taxes, strains the city's ability to provide services, and reduces barriers to entry by low-end retailers. In the words of one stakeholder, it makes the city "the drain in the bathtub."

Opportunities

- Changing demographics
- Growing community college enrollment
- Growing medical center
- Completion of many downtown public improvements enables the city to focus elsewhere
- Rapid growth in Phoenix metropolitan area
- Buying patterns of customers

The Hispanic market will continue to grow, which presents great buying power when targeted correctly.

Both the community college and medical center are growing. In interviews with the IEDC panel, representatives from both Banner Desert Medical Center and Mesa Community College expressed interest in creating better connections with the mall. Both institutions bring a critical mass of people to the area each day, are landlocked and face parking shortages – creating potential to work together and create shared uses. For example, a fitness center shared by MCC and the community came up in one discussion. Several community stakeholders expressed interest in other new uses at Fiesta Mall that would complement those already at the site, such as live/work, senior, and upscale multi-family housing.

The City of Mesa has been focused for a number of years on the revitalization of its central business district. With many new upgrades to the area and a new performing arts center nearly complete, the city should have the ability to expand its revitalization efforts to west Mesa. Mesa's Economic Development Strategy cites the need to expand Mesa's retail business and strengthen its retail position in the East Valley. Strengthening the Fiesta Mall "Super-Regional Retail District" is an example of this kind of opportunity.

Rapid growth in the Phoenix metropolitan area means that the market as a whole is growing. In addition, west Mesa is located relatively close to downtown Phoenix, compared with much of the rest of the metropolitan area. As the metro area continues to sprawl outward and traffic congestion worsens, Mesa's relatively central location, coupled with public transit services (i.e., bus and light rail), may become a more significant benefit.

As customers increasingly focus on convenience and *buying* rather than *shopping*, there may be opportunities for Fiesta Mall to take advantage of these changes in buying patterns.

Threats

- Constant competition from outside the Fiesta Mall area: competition from existing malls (such as Chandler) and planned malls (Kimco and Vestar projects)
- Changing demographics
- Freeway expansion makes outlying shopping easier to access
- Regional growth and sprawl
- Department store corporate restructuring

The primary external threats to the health of Fiesta Mall and the surrounding area identified by the IEDC panelists were included in the section on Key Market Dynamics. They include competition from new retail development, in which new, upscale shopping centers claim the best tenants; changing demographics, in which income, educational levels and retail tenant class are not improving in the Fiesta Mall area; and regional growth and sprawl, in which land is continually developed at the suburban fringe, removing the focus from redeveloping older areas, such as west Mesa. In addition, corporate restructuring of department stores means that stores are increasingly consolidating, and companies are closing less profitable stores.

VI. Recommendations

The IEDC team believes that the Fiesta Mall super-regional retail district is still a viable retail area, but will require *repositioning* and *city investment in the surrounding area* to remain so. This section provides recommendations for action by the city, retail owners and operators and other partners in the area.

West Mesa's stage of maturity, combined with market dynamics, will require city-led revitalization efforts to ensure continued vitality. Though 300,000 people per day pass by the Fiesta Mall area on Superstition Freeway, the area lacks a regional identity. Redevelopment efforts over the past few years have been focused in the original square mile of the city; West Mesa should be the next area of focus for reinvestment by the city. Investing in a core revitalization strategy, rather than relying solely on incentives for new retail, should ultimately yield more revenue for the city.

1. **Redefine the Fiesta Mall area to include nearby commercial and residential areas and invest in these areas.**

   The fate of the retail district will not be determined solely by retail itself. Though the effect of trends such as suburban sprawl, new expressways, growth to the east and the development of new malls is strong, the perception and vitality of the area is critical.

   Therefore, the IEDC team recommends that the city redefine the super-regional retail district's boundaries, maintaining the borders of Superstition Freeway to the south, the city limits on the west side of Banner Desert Medical Center, and Extension Road to the east, but expanding to include the immediate residential neighborhood to the north (approximately one mile, to Broadway Road).

   Within these expanded boundaries, the IEDC team recommends that the city invest in improving the poor quality housing and reducing crime rates in the neighborhood north of the mall.

   - <u>Undertake improvements to the residential neighborhood north of the mall.</u>

     Take advantage of infill housing opportunities. Some stakeholders believe that higher-quality residential is an important component that is missing in the area. Between Mesa Community College and Banner Desert Medical Center, two very significant employers exist in west Mesa. The City of Mesa may be able to take advantage of demand for housing around, and reduced commutes to, these employment centers by creating higher-quality infill housing opportunities in the neighborhood north of Southern Avenue. Housing such as townhouses should be considered to replace some of the declining Southern Avenue strip centers.

     Code enforcement. The square mile north of the mall is the densest in Mesa. It also has a transient population and a high rate of automobile theft. The city began the process of implementing a code enforcement strategy several years ago, an important tool to maintain for neighborhood improvement.

A good code enforcement program addresses issues such as rental and business registration, nuisances, weeds, trash, litter and general maintenance, and checks to see that residents and businesses are in compliance with these ordinances. It also addresses housing quality in regard to building, health and fire codes. Benefits of code enforcement include higher property values; a better city image; less crime; greater community pride; safer and more attractive neighborhoods, and fewer substandard housing units. The City should ensure that its program is comprehensive in its approach and continue strong code enforcement efforts.

Conduct neighborhood outreach. The City of Mesa has a Neighborhood Outreach Office designed to help residents organize and improve their neighborhoods. Neighborhoods north of the mall, because of their transient nature, may need more intensive outreach efforts on behalf of the city than many others to effectively access and use city services and other community resources. Examples of activities that may assist these neighborhoods include:

- technical assistance in organizing or revitalizing neighborhood associations;
- help organizing and facilitating neighborhood meetings; and
- publications, training workshops, seminars and individualized training on community issues.

It also will be important to conduct public meetings with these neighborhoods as the city plans and implements projects and improvements in the Fiesta Mall area.

2. Undertake improvements along Southern Avenue.

The IEDC panelists concluded that Southern Avenue is not a viable commercial corridor as it currently exists. First, there is too much retail space for the market. Seven large single store vacancies exist within one mile (includes a potential site for a major home improvement store). Furthermore, much of the Southern Avenue retail is very susceptible to existing and planned competitive retail. Mass merchandise and big box stores, such as Wal-Mart, are taking considerable retail business from smaller stores, prevalent in strip centers, that carry comparable goods. The proposed 101 and 202 retail developments will likely exacerbate Southern Avenue retail difficulties. Therefore, townhouses or other non-retail uses should be encouraged for some Southern Avenue strip centers.

To address retail and non-retail investment, city-led public improvement efforts are key. To retain retail tenants and achieve the reuse of vacant properties, the city should work with property owners and purchasers to improve properties. The city also should market business assistance programs in the corridor and facilitate regulatory approval to enhance the city's ability to retain and attract tenants.

Create a business improvement district. Business improvement districts (BID) allow businesses within a designated geographic area to contribute to programs aimed at promotion, management, maintenance and development of the district. Through city enabling legislation, the businesses agree to assess themselves. Services typically contracted for by a BID include litter control; promotional efforts such as advertising, marketing and special event production; and security. Sometimes, BIDs provide assistance for business start-ups, job training, physical improvements and property development.

The city and BID should:

- Work together to beautify the corridor through public and private investment in landscaping; attractive signage; banners and theming; new lighting; public art or other improvements. This is discussed further under Recommendation 3. The city needs to provide organizational support and perhaps some seed funding to help get the BID started.

- Aggressively market the district to attract new businesses, both retail and office. Promotional campaigns could include brochures with maps, special customer events, broker targeted events, trade shows such as ICSC's annual show in Las Vegas, and the listing of available properties on a GIS-interactive website.

The city may want to consider going a step further and setting up a redevelopment area, or urban renewal zone, in addition to a BID. This would allow the city to acquire land and become a more proactive investor in real estate.

Set aesthetic criteria for development. To encourage quality development, the City should require new projects to meet aesthetic criteria. Development should be required to provide attractive signage, landscaping and vegetative buffers to strengthen city initiatives.

Establish a façade improvement program. A façade improvement program is a typical tool to improve the aesthetics of a corridor. Façade programs typically provide loans and/or grants to commercial businesses in special districts to improve the appearance of storefronts. Programs usually stipulate how the loan is used and set design standards that the projects must meet. Low-interest loans sometimes are financed with Community Development Block Grants.

Facade Improvement Programs In Practice: Chicago

The City of Chicago has a series of facade programs for both commercial and industrial buildings. One program is funded by the CDBG program. Commercial projects are funded at 50 percent of project costs up to $5,000 for each qualified tenant space with a maximum rebate allowed of $40,000. (Higher amounts are considered for buildings with special conditions.) To maintain a focus on small businesses, total project costs are not to exceed $500,000. Eligible businesses must be located in certified "program areas," which must meet CDBG funding requirements—

commercial areas serving low- and moderate-income residents. For industrial projects, rebates are up to 30 percent of approved project costs, up to a maximum of $10,000 for each qualified building elevation with a maximum rebate per application of $40,000. Eligible projects are those located in industrial areas that are slum- or blight-designated.

Chicago has a second program available to areas not eligible for CDBG funding. Projects must be located in targeted program areas. Twelve areas are selected at a time with designation allowed for two years. Under this program, commercial projects are eligible for 30 percent of project costs up to $5,000 for each qualified tenant space with a maximum amount allowed of $24,000. For industrial projects, 30 percent of costs are eligible with a maximum amount allowed of $24,000.

Chicago's Department of Planning and Development provides detailed, user-friendly instructions for the City's facade rebate programs. Included in the documentation are descriptions of the programs, eligibility requirements, application process, a project timeline, maps of target areas, and design guidelines. The programs have been successful in completing facade renovations and reducing vacancies.

Lake County, California

The Lake County Business Facade Improvement Program provides low-interest loans to businesses to finance building improvements. The goal is to eliminate blight, enhance the overall appearance of the community and create a clean, safe, and attractive image conducive to commerce. The program is a partnership among area business owners within the Lake County Redevelopment Project Area, the Lake County Redevelopment Agency, and the Lake County Economic Development Program.

The Lake County Redevelopment Agency provides architectural design and review services to loan applicants in order to encourage quality design improvements in conformance with Community Design Guidelines.

Kinds of improvements that can be financed using program funds include façade cleaning; masonry restoration; painting; awning replacement; window repairs, sign removal and replacement; trim work; storefront window improvements; kick plates; utility pipe removal; lighting improvements; landscaping, fencing; door repairs; trash enclosures and receptacles; security improvements; and other improvements that conform with Community Design Guidelines.

Loans from $5,000 to $25,000 are available at a fixed interest rate of 3 percent for five years.

Rezone portions of Southern Avenue to encourage other uses, such as multi-family housing and office. As mentioned above, this strategy can help mitigate the retail saturation that the Fiesta Mall area suffers by taking some property out of retail use and increasing household demand. New housing also can be a catalyst for improving other development along Southern Avenue and the residential neighborhood to the north. The city may need to consider extending sites along Southern Avenue that have potential for non-retail uses into the adjacent neighborhood to create a site(s) large enough for new development.

In particular, the city should reserve the vacant parcel at the corner of Southern Avenue and Extension Road for office or mixed use. This will help ensure that no new *major* retail development occurs along Southern Avenue, which would further weaken existing shopping centers. The IEDC team believes that it is possible for the city to attract office uses to the area. Creating synergy among uses in the area will help attract more office development. Office or mixed-use development also would provide new activity and diversify uses in the area.

At the same time, however, it is important not to discourage the location of *strong* retail competitors along Southern Avenue, such as the home improvement store that may locate across from Fiesta Mall.

3. Create linkages with the surrounding area and nearby institutions.

Multiple uses exist within a mile radius of Fiesta Mall, including:
- Medical
- Community college
- Residential
- Retail (strip malls, power centers)
- Office
- Hotel

Very little interaction exists among the different uses in the area, yet there are various opportunities to create synergies among them.

Fiesta Mall has two very large institutional neighbors—Banner Desert Medical Center and Mesa Community College—both of which have extensive expansion plans. MCC intends to serve 50,000 students system-wide by 2020, including 35,000 at the Southern/Dobson campus in Mesa (which currently serves more than 22,000). Banner Desert has 600 beds at its Mesa facility and an extensive behavioral health program. Banner Desert has plans for major infrastructure upgrades over the next seven years, including more parking and a five-story, 90,000-square-foot medical office building currently under construction.

Representatives from both MCC and Banner Desert expressed interest in forging a better connection with the mall, ranging from better physical connections to joint outreach programs to shared uses.

- <u>Internal shuttle and pedestrian connection (i.e., greenway)</u>. Currently there are no convenient transportation linkages in the area except by private automobile, yet Banner Desert, Mesa Community College and Fiesta Mall are adjacent to each other from west to east (with the exception of a strip of retail on Longmore Road between Fiesta Mall and MCC). In addition, Banner Desert and MCC both suffer from parking shortages. A shuttle bus that runs among the uses could serve the function of encouraging park-once, multi-use visits.

  If shared parking is made convenient, visitors could park once to accomplish multiple errands among the mall, community college and medical center. It would have the added advantage of reducing the need for more surface parking lots, spaces that sap vitality from the district. The opportunity may also exist to create a greenway for pedestrian/bicycle use that connects these properties.

A light rail line is scheduled for development, extending from downtown Phoenix to Mesa, approximately 1.5 miles from MCC. Connecting the shuttle and greenway with the light rail line would foster a multi-modal, multi-stop approach to visiting the area. It also would offer a public transportation service that is not readily available at most other regional mall competitors.

- Traffic calming and more pedestrian-friendly crossings. IEDC panelists noticed that it is difficult to access the Fiesta Mall area on foot. Traffic signals across Alma School Road are not timed to allow pedestrians to cross safely before changing. A number of strategies could be used to make the area more accessible to pedestrians, including retiming signals; providing pedestrian bridges or tunnels where appropriate (for example, at the new greenway road crossings); or by providing traffic calming devices such as narrowed or curved points in the road, speed humps, and the creative use of islands and medians.

- Cross-marketing. Both MCC and Banner Desert stated interest in having kiosks in the mall to educate people about their services. (See Recommendation 4 for more details on branding and marketing the Fiesta Mall area.)

- Shared amenities, e.g. fitness center. In meeting with a representative from Mesa Community College, discussion centered around the possibility of creating amenities that could be shared between students and the community. Among these were a fitness center, conference center and "destination services."

- Integrated infill housing. The subject of live/work, senior and upscale multi-family housing came up in several stakeholder meetings. This is discussed in greater detail under Recommendation 5.

4. Brand and market the Fiesta Mall area.

The area around Fiesta Mall area lacks coherent identity. One stakeholder said, "Mesa is perceived as an amorphous blob." The IEDC team felt it was important to market the area as a whole—not just as a place to shop, but as an integrated, mixed-use environment that includes Mesa Community College, Banner Desert Medical Center, and surrounding office, residential and retail, in addition to Fiesta Mall.

A "destination" feel can be created for the area in a number of ways. The need to create a sense of identity or brand, a visual image, and increase visibility is clear, particularly since today's shoppers are highly mobile and have many shopping possibilities. A lack of signage is particularly noticeable; no signs exist from the expressway that could help shoppers find Fiesta Mall. Even when traveling Alma

School Road from Superstition Freeway toward Fiesta Mall, no mall signage is noticeable until its entrance.

- Define the area with signage, theming and promotion efforts. The Fiesta Mall area could begin to define itself and achieve a common identity among its elements by adopting a name, such as 'Fiesta Town Center,' and theme or tagline. This theme would be reinforced with a consistent graphic image used in everything that references the area. This provides the benefit of shared marketing for the stores and institutions located at Fiesta Town Center. Once the name and the area it defines become better known through signage, advertising and promotion, shoppers will more easily identify stores that are located there.

  It may make sense to re-name and re-brand Fiesta Mall itself, particularly if its target market and merchandise mix change (e.g., Fiesta Central or Fiesta Marketplace).

  The area name and graphic would be installed on banners or other identifying markers on lampposts, street signs, or other highly visible points to make people aware that they are in the neighborhood. Use of these elements to create an entry statement, or landmark entrance, will help people know when they have entered the area. They also would be used on directional signage both to the area and within it (wayfinding signs). To expand the area beyond retail, wayfinding signs would show MCC and Banner Desert Medical as part of Fiesta Town Center.

  As an example, a "readerboard" sign could be placed along the freeway that could be a city and community asset. Advertising space could be sold on the sign, which also could display information on cultural and community events. The City currently has a strict sign code and would need to consider what revisions would be necessary to help define and market the Fiesta Mall area.

  Advertising in local publications and the use of promotional materials throughout the area all would reflect the "brand" name and logo. The area could produce its own marketing materials, such as a quarterly newsletter. In addition, special events such as holiday festivals or parades, weekly farmers' markets and after-work, weekday concerts could be held at the mall or at MCC. They would have the advantage of promoting Fiesta Town Center area retail.

- Beautification efforts. Currently, little is distinctive about the Fiesta Mall area. Efforts to improve the appearance of the area will demonstrate to retail tenants and property owners that the city is committed to improving the area, and should spark subsequent private investment. Upgrades will send a similar message of vitality and success to visitors and residents.

  Streetscape improvements. Area property owners are typically willing to invest in tangible projects such as streetscape improvements. Distinctive signs, decorative pavers, trees and bushes, uplighting all can improve the appearance of the Fiesta Mall area. Common landscape treatments and public art can help create an inviting environment and make a walk between the campus and the mall pleasant. Where possible, there should be design uniformity or some common architectural or design elements to give the district a unified look.

Investment along Southern Avenue. Possible activities to improve Southern Avenue include a façade improvement program; a business improvement district, and new aesthetic criteria for development (as discussed under Recommendation 1).[13] The BID should be a key partner in the improvement effort. Interest to form a BID will be much greater if the BID has an initial key mission such as working with the city on a corridor enhancement initiative.

5. Make Fiesta Mall itself more inviting.

Fiesta Mall looks and acts its age, as the IEDC panel and many stakeholders who were interviewed agreed. Its design is dated, its exterior is uninviting, and it lacks many of the amenities of new malls – most importantly, curb appeal, restaurants and entertainment options.

- Improve curb appeal. Modern malls in general are being developed in a way that embraces, or at least acknowledges, their surroundings. This may be expressed as a Main Street feel, with multiple storefronts facing the exterior, sidewalks and fancy lighting, or perhaps just by using windows and urban design elements to break up blank expanses of wall. Fiesta Mall is in need of an exterior facelift. Landscaping, glass, art and lighting can modernize its appearance and make it a more inviting place to visit.

  Close attention should be paid to the design details of public areas, both inside and out. This includes everything from pavers or tiles to benches and light fixtures. Public art also is an important amenity and attraction.

  Funding for such improvements will be difficult, especially with multiple property owners of the mall and four department stores. The city should consider providing matching funds or sales tax incentives provided that the five property owners agree to work together and all contribute.

- Improve the parking lot. Fiesta Mall, like most malls of its era, suffers from an uninviting, unbroken sea of parking surrounding it. Changing the traffic pattern, perhaps by adding a secondary street within the ring road, may help make the mall seem less remote. Or, part of the parking lot could be developed for a use such as the fitness center mentioned above, or for housing. (However, creating a ring road or new land uses will eliminate many parking spaces, which can violate the reciprocal easement agreement and/or the city code regarding the number of

[13] Information in this section came from *Retail as a Catalyst for Economic Development,* International Council of Shopping Centers and the International Economic Development Council, 2001.

spaces that must be provided.) Improvements to the parking areas could make the mall feel more accessible and provide a greater level of comfort and safety. The expanses of asphalt that are left should be broken up with landscaping.

- Add entertainment options. Malls are not just places to shop anymore; they are entertainment destinations. This trend is reflected in the design of contemporary malls to include restaurants, movie theaters, play areas, rock climbing walls and more. These also are the elements that encourage activity in malls in the evening hours, a time when activity is weaker at Fiesta Mall than at other malls.

  The lack of sit-down restaurants and movie theaters at the mall was lamented in multiple stakeholder meetings. The team believes that attracting one or more sit-down restaurants is a more realistic goal toward providing a destination activity at the mall than trying to attract a movie theater. The team does not believe that a major theater operator could be attracted to Fiesta Mall, especially if a Harkins theater is constructed at the 101/202 loop. The recent addition of a children's play area is a plus.

6. Create contingency plans for Fiesta Mall.

Fiesta Mall may remain viable as it is. Although sales have dropped considerably, older department stores with low debt service can survive on lower sales.

But, as discussed in Section III on national trends in the shopping center industry, many malls across the country have had to reinvent themselves to stay viable. Therefore, the city and mall ownership should prepare contingency plans, focused on the loss of one or more department stores. There are a number of ways to address such a loss:

- Change of tenant mix,
- Change of physical configuration, or
- Incorporation of different uses.

These options are not mutually exclusive. For example, all options would lead to changes in the tenant mix. However, option 1 implies a change in tenant mix without physical reconfiguration or land use changes.

Rather than attempting to go upscale and compete with newer, larger malls, such as Chandler, Fiesta Mall should plan for other ways to differentiate itself. For example, vacant department store space could be filled by value-oriented and big box retailers or selecting retailers that cater to a different demographic, such as the Hispanic community. The mall may want to look at which tenants don't currently fit and want to get out of their leases. Big box retailers would be viable replacements for one of Fiesta Mall's department store anchors. In recognition of the decline of Fiesta Mall's capture area, even local-serving retail such as a grocery store or drug store may be appropriate.

The possibility exists of adding tenants that will serve Mesa's Hispanic population, while maintaining many (if not most) of the mall's current tenants. Possible Hispanic-oriented tenants include stores such as Mexico-based grocery chain Gigante; La Curacao, a Brazilian hard goods chain that is similar to a Best Buy; and various Hispanic-focused stores in the 50,000-square-foot range that sell furniture and soft goods. Complementary uses to these retailers can include movie theaters that show Spanish-language movies, and a section of the mall that functions as a community center. Such a change would not necessarily generate lower sales tax revenue. If done well, revenue can grow, as in the case of Plaza Fiesta outside of Atlanta.

If a change in tenant mix does not appear to be sufficient, it may be necessary to change the physical configuration as well. For example, opening up a portion of an enclosed mall and giving retailers individualized storefronts creates the 'Main Street feel' that is currently popular. The mall's current configuration and appearance work against it and will continue to do so. At a minimum, improvements to its exterior, as discussed under Recommendation 4, are necessary.

If it appears that no steps can preserve all of the retail, other land uses should be incorporated into the mall. This effort may require partial or complete clearing of existing structures to create an attractive urban village. The possibilities for different uses are nearly endless, encompassing housing, public amenities, offices, civic centers, governmental uses and more. Increasingly, these uses are being incorporated into shopping centers to increase vitality by extending hours of operation, and to mitigate centers' dependence on retail rents.

Following this trend, obsolete shopping centers are increasingly being redeveloped as live/work/shop places. They can play important roles in creating centers of activity for communities that lack them; in decreasing suburban sprawl by providing large, well-placed infill sites; and in revitalizing decayed areas. For example, the city of Lakewood, Washington, created a town center for itself that includes city hall and civic center on the site of a former mall.[14]

New uses could be developed as part of the mall and on outparcels carved from the parking area. In regard to which uses would be incorporated, various stakeholders mentioned multi-family housing – senior housing, in particular – at several meetings. An option such as this should be considered at a high density, such as 40-50 units per acre. Other ideas mentioned included a fitness center and community center.

Following this section are several case studies that highlight these techniques to revitalize malls across the country.

[14] "Back to Basics, Geoffrey Booth, ULI, February 2003.

VI. Case Studies

Case Study
Sherman Oaks Galleria, Los Angeles

In one kind of readaptation, Sherman Oaks Galleria in Los Angeles has been redeveloped from a large-scale mall that closed down in 1998 into a 1.1 million-square-foot, mixed-use lifestyle center with a 24/7 entertainment retail core and office and local uses for the community that had grown up around it. Wherever the original shopping mall met the city's streets, new entries and storefronts were created to replace its existing blank white walls. A new front door was introduced facing the Sepulveda/Ventura intersection—the San Fernando Valley's busiest corner—with a pedestrian promenade that leads to all its major gathering places, including piazzas, esplanades, and an open-air promenade. At the center of the complex, a rotunda was added to serve as a hub for its restaurants and the gateway to its theaters—both directly served by valet parking one level below. Then, 700,000 square feet of loft office space was wrapped around its retail/ entertainment heart. Local residents support its cafés, restaurants, shops, and theaters on evenings and weekends (75 percent of its customers live within three miles of the Galleria), while its workplace population provides the Galleria with weekday customers.

Source: The Community Mall, Urban Land

Case Study
Ward Parkway Center – Reconfiguring and Remerchandising

For decades, Ward Parkway Center, built in 1959, was Kansas City's premier upscale shopping center. Located in an affluent area south of downtown, the two-story, approximately 800,000 square-foot mall had powerhouse anchors such as Dillard's, Montgomery Wards and JC Penney, and housed AMC's first multi-screen theatre. But due to management problems and booming retail construction in the 1980s and 1990s, Ward Parkway Center lost its shoppers to new regional suburban centers with better parking and more contemporary stores.

By 1998, the mall was neglected, had lost several anchors and was 60 percent vacant. In 1999, Todd Interests, a real estate investment and development firm - with Minneapolis-based Madison Marquette Realty Services - bought the mall for $21 million from Kansas Public Employees Retirement System, barely one-quarter what KPERS had invested.[15]

[15] Davis, Jim. "Ward Parkway Center for Sale." *Business Journal of Kansas City*. September 10, 2001.

Todd Interests assumed a strategy of reconfiguring the mall and retenanting it with major value-oriented and lifestyle retailers in order to bring it back to life. The center was "de-malled" – opened up to the street and air – by tearing off 80,000 square feet of roof and creating a new entrance. The reconfiguration increased customer accessibility and made the mall more attractive to non-department store tenants.

The center retained some tenants and attracted new ones. Its current anchors are a 201,500-square-foot Dillard's, an 119,000-square-foot Target, and AMC, which downsized from 22 to 14 screens. Spaces formerly occupied by JC Penney and Wolf Brothers were converted and taken up by Dick's Sporting Goods, SteinMart, and 24 Hour Fitness. Part of the open area and new entrance are now occupied by TJ Maxx, Pier One Imports, and Starbucks. As a result of the changes, sales increased by 82 percent and occupancy is up to 90 percent.

The mall now has a contemporary, open environment. Families are coming back to enjoy the center they grew up with, although young couples moving into the area neighborhoods also are a large part of the customer base.[16] In summer 2003, Todd Interests sold the mall to Developers Diversified Realty in Cleveland. DDR plans to continue de-malling portions of the center and relocating tenants. Since the acquisition, DDR reports leasing an additional 10,000 square feet.

Case Study
La Plaza de Lakeside: Re-tenanting and Repositioning for an Ethnic Shift

La Plaza de Lakeside, one of the largest Hispanic-themed retail centers in the country, opened in February 2002 in Lakeside, Colorado, a suburb of Denver. The 600,000-square-foot La Plaza de Lakeside used to be known as Lakeside Mall; like many other ethnic-oriented shopping centers, it is a retrofit of an older mall in a secondary trade area. Lakeside Mall was built in the 1950s as an open-air shopping center but was expanded, remodeled, and enclosed over the years.

In the 1990s, Lakeside Mall had a hard time holding on to retailers and attracting shoppers. When its main anchor, Montgomery Ward, filed for bankruptcy and moved out, Sevo Miller, the mall's Denver-based developer (with development partner General Electric Capital Corp.) sought a new tenant mix that would target the area's growing Hispanic market. While the Denver metro area has experienced an overall population increase of 17 percent in the past 10 years, the metro area's Hispanic population has grown by 88 percent. The mall's trade area is 37 percent Hispanic, compared with 17 percent for the city as a whole.

In the first month of leasing for the mall as a repositioned, Hispanic-themed center, La Plaza de Lakeside had received commitments to lease 100,000 square

[16] *Todd Interests Redevelops Ward Parkway Center.* Heartland Business Journal.

feet from five Hispanic-oriented tenants. In March of 2002, Avanza supermarket moved in, joining the other existing anchor, Target. The 40,000-square-foot store owned by Nash Finch, a major midwestern grocer, is the first large supermarket targeting the Hispanic market. Avanza caters to traditional Hispanic tastes and has hard-to-find foods, but also keeps up with the mainstream market. In addition to Avanza, the mall has tenants such as Foot Locker, Payless Shoes, Pearle Vision Center, Weight Watchers, Musicland, General Nutrition Center and Sally Beauty Co. Mall retailers also cater to Latino shoppers with bilingual signs and often with bilingual salespeople.

But the developers wanted to attract more than just retailers; they wanted to turn the shopping center into a community center. Soon after opening, the local Spanish language radio-station made plans to move their studios to the mall. The overall goal is for the mall to become the venue for local Hispanic community events, drawing more in consumers.

Sources: Johansen, Erica. "Plans for Mall: Mexican Market." *The Denver Business Journal*. February 4, 2003. Newman, Morris. "A New Beat." The Urban Land Institute. February 2003.

Case Study
Sycamore Plaza at Kenwood, Cincinnati, Ohio

Sycamore Plaza was developed in 1966 as a one-anchor regional mall. In 1988, the sole anchor department store, Lazarus, left to become a new anchor in Kenwood Towne Center – the new, upscale super-regional mall located across the street – leaving only its furniture department behind. In-line tenants with expiring leases also began to leave, also preferring to locate in Kenwood Towne Center. Rather than compete directly with the new center, the developers of Sycamore Plaza decided to redevelop it as a power center. The power center capitalizes on the site's location, demographics, and the shift in consumer preferences toward value retailing.

The 345,000 square-foot center is located on 31.1 acres bordered by Interstate 71 to the south and major arterials on the other sides. Single and multifamily residential neighborhoods surround the commercial hub which includes Sycamore Plaza and Kenwood Towne Center.

The chief renovation objectives were to provide an environment that would work for both big-box and smaller tenants; to increase the center's critical mass and visibility and provide a strong, unique identity for the project; and to use as much of the existing building as possible. Retaining the existing structure was a primary factor in the project's economic feasibility. The renovation turned the structure "inside out" by eliminating the existing mall's interior common areas and reorienting the storefronts to the center's exterior. To give the 28-year-old center a more contemporary look, the exterior was reclad with brick and tan plaster. An inviting, landscaped pedestrian plaza constructed at the center's main entrance to the west accommodates smaller tenants and restaurants and increases the center's visibility from arterial streets. The center's opposite side, to the east, accommodates large-space users and attracts shoppers from the 96,000 cars that pass daily on Interstate 71.

To enhance the center's physical presence and create the desired image of an upscale power center, two vertical atriums were added. The atriums feature interior landscaping, marble floors and vaulted ceilings. They create a larger-scale presence for the individual stores and echo the design of a familiar Cincinnati icon, Union Terminal. The east atrium provides a common entrance to four big-box stores and offers excellent visibility for the center from I-71.

Sycamore Plaza at Kenwood now boasts five large national and regional category killer merchants as anchor tenants and a host of non-anchor tenants. Anchors include Dick's Sporting Goods, Barnes & Noble, Computer City, Old Navy, Staples, Linens N Things, and Toys R Us. The $18.7 million conversion is now almost fully leased.

Source: ULI Development Case Studies

Appendix A

Shopping Centers in the Fiesta Mall Super-Regional Retail District

Center name	Location	Tenants
NWC – Extension and Southern	NWC of Extension and Southern Avenue	Check Advance, Circle K, Coin-op Laundry, Country Club Cleaners/Alterations, Dr. Gulick, D.O., Insurance, Lighting Unlimited, Nesco, Phu'Tha'nh Restaurant – Vietnamese Food, Printing, Signorama, and Dr. R.V. Harper – Chiropractic Physician.
Tibshraeny Plaza	NEC of Southern Avenue and South Westwood	Alterations – Elegant Reflections, Fiesta Pediatric Therapy, Frazee Paints, Hair Art Salon, Hanger – Prosthetics & Orthotics, Herbs & More, Lone Star Steakhouse, Realty Choices USA, and Tibshraeny Companies, Inc.
Poca Fiesta	NEC of Alma School Road and Southern Avenue	Adventure Bicycles, American Music, Avenue, Bakery Outlet – Entemann's/Oroweat, Black Angus, Casual Male Big & Tall, David & Friends Hair Design & Nails, Gateway Country, Gingiss Formal Wear, Gold Masters Jewelers, Harkins Poca Fiesta 4, Hero Comics, Mary Immaculate Books & Gifts, Mobile Gateway, Musicians Discount, Our Home Preschool, Pizza Bella, Ross Dress for Less, RTO Sullivans, Saba's and Ulta.
Fiesta Village	NWC of Alma School Road and Southern Ave, across the street from Fiesta Mall	AT&T Wireless, Big O Tires, Kids Play Learning Center, K-Momo Clothing, Nesco Service Company, Office Max, PC Club Computers, Rockaway Records, and Sleep America. Bennigan's restaurant recently closed its facility.
Fiesta Plaza	NEC of Southern Avenue and Longmore	Anna's Linens, Carl's Jr., Catherine's, Choi Tailoring, Compuworld +, Diversity in Hair, Euro Café – Undici Undici, Eyemagination, Goodwill, Household Finance, Life Uniform, Magic Wand Bridal, Max's Taste of Italy, McDonald's, Melaleuca Wellness Company, OK Cleaners, Re-Mac Computers, Seafood Market & Restaurant, Spy Headquarters, Walsh Bros. Office Furniture, Wide World of Maps, Wireless and Yoga-Tai Chi.
NWC – Longmore and Southern	NWC – Longmore and Southern	Bed Bath & Beyond, Circuit City, M&I Bank, Petco, and Ski Pro.
Pollack Fiesta Square	North side of Southern Ave between Dobson Rd and Longmore, north of MCC	Boba Drinks & Vietnamese Food, Burger King, Cheba Hut, Coffee, Concentra Medical Centers, Dee's Dancewear, Desert Marketing Publications, OK Tobacco, Salon Parrish, Uncle Monkey's Cocktails, and West Coast Beauty Supply.
NEC – Sycamore and Southern	immediately east of College Plaza	Brunswick Bowling Center
College Plaza	North side of Southern Ave between Dobson Rd and Longmore, north of MCC	Continental Cleaners, Jack in the Box, Lucky Nails, NHAT Vietnamese and Chinese Cuisine, See's Candle's, Shirts n' Things, Subway, Textbooks, Tico Tacos Mexican Food, and Yakety Yak
Dobson Plaza	NEC of Dobson Road and Southern Avenue	AZ Medical Imaging, Blimpie, Fantastic Sams, Gold Canyon Restaurant, Greenbacks, Langert Netzband Wholesale Jewelers, Osco Drug, Pizza Hut, Taco Bell,

		Plaza Flowers Florist, Top Shelf and Village Inn
Dobson Square	North of the NWC of Dobson Road and Southern Avenue	Asiana Market, Best Hong Kong Dining, Binh Minh Vietnamese Restaurant, Chiropractic, Edward Jones, Gallagher's, Hodori Restaurant, Korean Video, Name Brand, Salon, SDI, Sub Factory, Szechuan Express, T.H. Cleaners, Tokyo Express and U.S. Armed Forces Recruiting.
NWC of Dobson – Southern to San Jose	NWC of Dobson – Southern to San Jose	76 Gas Station, Apartment Hunters, Arby's, Asia Bazaar (Indian groceries), Auto Edge, Birds Cage World, Cash Advance, DJs Smoke Shop, Filiberto's, Headmaster (Men's Hair Design), Japanese Grill Samurai (coming soon), a liquor store, McDonald's, Schweikardt Floor Coverage and Southwest Mini-Storage Inn.
Target	SWC of Southern Avenue and Longmore	Target demolished a vacant Montgomery Ward's store and is in the process of building a new 135,000 square foot building that will open July 25th 2004. Will replace an older store located at the SWC of Dobson Rd and Main St.
Three Fountains	Longmore Avenue between MCC and Fiesta Mall	AAEC High School, Atta Glance Hair & Nail Designs, Bally's Gym, Cheveux Hair Designs, Dentistry, Discount Travel, Essenza Coffee House, Gary's Tux Shop, Greystone Jeweler, Nationwide Vision, Racing Collectibles, Surf City Tanning and TGI Friday's. Wherehouse Entertainment recently closed.
Harkins Plaza	Longmore Avenue between MCC and Fiesta Mall	Fuddruckers, Harkins Fiesta 5 and The Car Washer.
Fiesta Professional Plaza	SEC of Southern Avenue and Longmore	America's Best Contacts and Eyeglasses, Dr. Cooperman, Fiesta Chiropractic, Metropolitan Physicians and My Dentist.
Fiesta Mercado	SEC of Southern Avenue and Longmore adjacent to Fiesta Mall	Alltel, Arizona Bank & Trust, Arizona Federal Credit Union, Bubbles of Joy, Compass Bank, Franklin Covey, Larrick Piano, Men's Wearhouse, Mesa MRI, Pier One Imports, Salon, Souper Salad, Starbuck's, Supercuts, Tinderbox Internationale and Wallpapers To Go.
SWC – Alma School and Southern	SWC – Alma School and Southern Avenue	Debra May Hymes, Grafton Staffing Co., Mimi's Café, Olive Garden, and Pivotal Research Centers.
Fiesta Mall	Alma School Road and Superstition Freeway (US 60)	Made up of more than 135 retail stores and four major department stores – Dillard's, Macy's, Robinsons-May and Sears. Originally opened in 1979, the 1.04 million square foot mall underwent a major renovation in 2000.
Fiesta Crossing	SWC of Alma School Road and the Superstition Freeway (US 60)	All Medical Staffing, Arizona Clock Company, Avalon Counseling, California Pools & Spas, CBS Payroll, Conference Coordinators, Creative Destination, Creative Leather Furniture, Dobson Bay & Swan Chiropractic, Ethan Allen, Eye Masters, First American Title, Hampton Associates Law Offices, Irene's Cleaners/Alterations, Millenium Hair & Nail Studio, Nursing Solutions, Old Chicago, State Farm Insurance, TC Eggington's, and Xtreme Gaming.
SEC – Alma School and Superstition Freeway	SEC – Alma School and Superstition Freeway (US 60)	Bassett Furniture, Oak Showcase, Room Store, and The Islands Restaurant.
NEC – Alma	NEC – Alma	Dos Mattas, Fosters Leather Co., Horwitz Vision Center,

School and Superstition Freeway	School and Superstition Freeway (US 60)	Kinkos, Red Lobster and Verizon.
Mesa Fiesta	Alma School Rd and Hampton Rd adjacent to Fiesta Mall	Best Buy, Borders Books & Music, Chevy's, Comp USA, Cost Plus, Eyeglass World, Famous Footwear, Marshalls, Staples and Wells Fargo Bank. Mesa's Office of Economic Development is currently engaged with Vestar Development to revitalize the Mesa Fiesta Shopping Center. A key objective is to facilitate the leasing of a 25,000-square-foot building (formerly Linens Plus) located immediately west of the amphitheater area.

Appendix B

IEDC Team Biographies

Victor S. Grgas

Mr. Grgas has over 25 years of high-level experience in both the private and public sectors. He is the President of VSG & Associates, a land use consulting and commercial real estate brokerage company based in Orange County, California. Before forming VSG & Associates, Mr. Grgas spent 12 years with Forest City Commercial Development in Los Angeles, California. Mr. Grgas was most recently involved in several large scale, mixed-use entertainment and retail projects including the Shops at South Lake Avenue, a 153,000 square foot upscale specialty retail center located in Pasadena, California, and the Victoria Gardens project, a 1.5-million-square-foot, open-air, 'Main Street'-type regional shopping center located in Rancho Cucamonga, California.

Prior to joining Forest City, Mr. Grgas served as the Assistant City Administrator for the City of Montebello, California; Director of Development Planning for the Los Angeles County Community Development Commission; the Director of Economic Development for the City of Redondo Beach, California; and the Director of Economic Development for the City of Santa Ana, California.

Mr. Grgas served as President of both the National Council for Urban Economic Development (now the International Economic Development Council), and the California Association for Local Economic Development. Mr. Grgas was elected and served two terms (1982-1990) as city councilman and mayor of the City of Seal Beach, California. Mr. Grgas holds a BS in Business Administration and Masters in Public Administration. He is also a licensed California Real Estate Broker.

Lawrence E. Kilduff

Larry Kilduff is the managing member of The Kilduff Company, LLC, a privately-owned retail development company based in Milwaukee Wisconsin. Over the last 22 years, Larry has been involved in retail and other commercial development projects across the country totaling more than 4 million square feet. Since 1997, Larry's primary focus of activity has been revitalization of underserved and distressed communities, both urban and rural. This has led to partnerships of various kinds with community-based organizations. In addition to his development activity, Larry provides development consulting and technical assistance to communities and community-based organizations nationwide.

Larry has been a member of the International Council of Shopping Centers (ICSC) since the mid-1980s and currently serves as a volunteer member of ICSC in the following capacities: ICSC State Director Wisconsin, Faculty Member School of Economic

Development – University of Shopping Centers; Alliance Task Force Member, and Government Relations Committee Environmental Sub Committee Member.

Arthur L. Pearlman

Arthur Pearlman is the founder of the Arthur Pearlman Corporation, a company focused on the development of select retail real estate developments and consultation assignments and is currently developing shopping centers throughout California and Nevada. Mr. Pearlman brings over thirty years of real estate experience into the company, 20 of which were involved with the development and ownership of shopping centers. Previously, Mr. Pearlman was Co-President, Partner and Founder of the Riley/Pearlman Company, a recognized leader in the development of approximately six million square feet of quality shopping centers throughout California.

Mr. Pearlman began his real estate career in 1968 with the founding of Foresight Systems, Inc., a Century City-based, international management consulting firm. Previously, he served as a Senior Consultant with Peat, Marwick, Livingston & Co. Mr. Pearlman received his B.S. degree in Chemistry and Chemical Engineering from the University of California, Los Angeles and his M.B.A. degree from Pepperdine University's Presidential/Key Executive Program. He was selected as Chairman of the Board and, previously, President of California Business Properties Association (CBPA). Today, he remains an active member of its Board. Mr. Pearlman was elected as California's State Director and, previously, Program Chairman for the International Council of Shopping Centers (ICSC). He serves on the Board of Directors for UCLA's Anderson Graduate School of Management, Real Estate Alumni Association. He is a licensed real estate broker.

Richard Ward, CRE, AICP, CEcD

Richard is the senior principal of Development Strategies, consultants in real estate, economic and community development located in St. Louis with assignments nation-wide.

He is responsible for overall management and quality control for the firm and participates on a wide array of the firm's consulting assignments. These include market research, real estate valuation, redevelopment plans, tax increment financing, assessments of fiscal and economic impacts, financial feasibility, site selection, land use planning and strategic planning for economic and real estate development organizations. Richard is a certified economic developer with the CEcD designation of the International Economic Development Council (IEDC); a Counselor of Real Estate (CRE); and a member of the American Institute of Certified Planners (AICP). He is an active member of IEDC and a member of its Board of Directors for the past ten years. He holds graduate degrees in business administration (major in finance) and urban design from Washington University in St. Louis and in urban and regional planning from Virginia Tech.

Ed Gilliland

Ed Gilliland is the Vice President, Senior Director, Advisory Services. He has sixteen years of economic consulting experience with cities, counties, quasi-public agencies, multi-jurisdictional coalitions and private clients. Mr. Gilliland specializes in strategic planning, economic development, downtown revitalization, brownfields redevelopment, public/private partnerships, financial analysis, transportation economics, and economic impacts. He directs IEDC's local advisory services work as well as work with federal agencies such as EPA, DOE, and DOJ. His capabilities go beyond the consulting and project management roles. He has facilitated workshops, instructed in real estate, put together training courses, written books, and managed periodicals. Mr. Gilliland holds an M.B.A. from the University of Virginia Darden Graduate School of Business Administration.

Louise H. Anderson

Louise Anderson is a Senior Associate in IEDC's Advisory Services and Research Department. She works on state and local consulting contracts and brownfields projects coordinated with the Environmental Protection Agency. Louise has experience in environmental and historic preservation planning, strategic planning, brownfields redevelopment, public relations and nonprofit management. She holds undergraduate degrees from Indiana University at Bloomington in journalism and English literature, and graduate degrees from the University of North Carolina at Chapel Hill in public administration and urban planning.